

REPORTS - R. BECKEL

CONFIDENTIAL

April 3, 1991

TO: TOM SPRZEMIEMSKI
FROM: ROBERT F. BICKEL, SR.
RE: EXTRACTION, DEBRIEFING AND SECURITY OPERATION PROPOSAL
ISHAN BARBOUTI CHIEF OF SECURITY AND BUSINESS ASSOCIATE

On the evening of April 2, 1991, I was contacted by an associate at approximately 1830 Hrs. in relation to an East Coast meeting with the former Chief of Security for much of Ishan Barbouti's domestic U.S. operations. The contact individual was enroute to the meeting and I was asked to be available later in the evening for discussion of the meeting and to possibly coordinate a response should there be a favorable reaction to a proposal to the Barbouti associate to cooperate in our investigation.

At 2130 Hrs. I was contacted by phone after my associate had met with the former Barbouti security man. I was informed at that time that the former Barbouti associate wanted to initiate contact and offer full cooperation in the investigation of Barbouti organization activities here in the U.S. and overseas. This would include full disclosure of individuals involved. I authorized my associate to notify the subject individual that I would be available to take his call.

At 2145 Hrs. I received a telephone call from the former Chief of Security for the Barbouti organization and we discussed the potential for his cooperation and the reasons for his making the offer to disclose the activities and events related to the Barbouti organization network. He related that his decision to seek assistance was due to the following:

- * The former Chief of Security had been "abandoned by the Barbouti group as they sought to protect themselves."
- * In attempting to cooperate with the U.S. Customs Service he had been harrassed and refused any protection.
- * He had reason to believe that due to his knowledge of the Barbouti organization and his position, that his life is in danger due to current activities in other areas of the U.S.

This individual related that he had the ability to provide intelligence and documents relative to the overall activities of the principals of the Barbouti organization and their associates as follows:

- * Technology transfer and uses in Iraq and Libya.
- * Banking and financial facilities - Money laundering procedures.
- * Identity of front companies and properties.
- * Identity of individuals who supported their network.
- * Intelligence on hydrogen cyanide removed from Florida facilities.
- * Intelligence on espionage activities including documents on activities at Hanger 13, Big Springs, Texas. (Stealth)

It is my belief that this individual is capable and willing to cooperate to the fullest extent in providing intelligence, documents, and information of extreme importance to this investigation. I have undertaken to make arrangements for the ability to house this individual in a secure facility and to initiate a debriefing team. There is a potential that this can be accomplished through private sector sources, but your offices assistance would be not only necessary, but expediant for obvious reasons. This operation needs to be sanctioned from a secure official source. I am very concerned that this individual and the intelligence that he can provide on Barbouti's operations not be compromised.

Bickel

NOTE: Due to the Houston Chronicle article by Jerry Urban this morning my concern for security is heightened for the individual referred to above. I might add that we need to consider this personally also.

Bickel

Grand jury investigates Iraqi family

By JERRY URBAN

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A federal grand jury in Houston began hearing testimony Tuesday involving an Iraqi family whose activities here and abroad are under federal investigation, sources say.

Dr. Ihsan Barbouti, who reportedly died in July, and at least one son living in the United States are suspected of illegally exporting American technology to Libya, and perhaps Iraq, that could have both military and industrial applications.

Officials with the U.S. attorney's office here would not comment.

Besides technology exports to Libya, banned under a 1986 presidential order, sources say the grand jury will consider allegations that the Barbouti organization made tens of millions of dollars worth of U.S. investments with laundered Libyan government funds.

One potential target of the probe is Dr. Barbouti's eldest son, Haidar Barbouti, 23, who took over his father's North American business after Dr. Barbouti's reported death in London.

Another possible target is Arie David, a New York attorney who has



Dr. Ihsan Barbouti, who reportedly died in July, is suspected of illegally exporting U.S. technology to Libya and Iraq.

represented the Barbouti family and has been an officer in the maze of Barbouti companies.

Attorneys hired on behalf of Barbouti interests have repeatedly denied any wrongdoing on the part of their clients.

Dr. Barbouti, a civil engineer who operated out of the London headquarters of his IBI corporations, has been identified by U.S. authorities as designing and being the primary contractor for a chemical weapons plant at Rabta, Libya.

He also established IBI Industries in Houston, allegedly as a front to export petroleum industry technology illegally, with both industrial and military applications to the Mid-

See BARBOUTI on Page 8A.

REPORTS - R. BROWN

Barbouti

Continued from Page 1A.

dle East.

Several former business associates of the Barboutis have filed lawsuits in three states claiming that they were defrauded by the Barboutis' export plans.

One of those associates is Bruce Munden, who testified before the grand jury here Tuesday. Munden is the owner of a pipeline technology firm, Pipeline Recovery Systems Inc., with operations in Dallas and Midland.

Munden has previously said his

business relationship with Dr. Barbouti ended after he learned Barbouti intended to export his process — a method of chemically coating the interior of pipes — to Libya in violation of U.S. trade prohibitions.

Munden has said the process has nuclear applications.

He would not comment Tuesday, but sources say federal authorities provided Munden with an armed escort after he received a death threat while in Houston to testify.

The U.S. Customs Service has been investigating the Barboutis for at least a year.

Barbouti assets in the United States are valued at some \$200 million, according to court records.

The staff of U.S. Rep. Charlie Rose,

D-N.C., also continues to investigate the activities of the Barboutis. Rose is chairman of a subcommittee responsible for overseeing the U.S. Department of Agriculture.

Sources say Dr. Barbouti is suspected of having been involved in a fraud case involving the Agriculture Department and an American branch of Italy's Banca Nazionale Del Lavoro.

Officials of the bank's Atlanta branch were indicted recently in part for conspiracy to defraud an Agriculture Department commodity loan program. The officials are accused of illegally loaning Iraq money that eventually was used to buy arms instead of food.

Sources say the Houston grand jury proceeding could take up to three months. Federal grand juries here generally meet twice a month. Other former Barbouti business associates are expected to testify.

At least one federal grand jury in Florida also is looking into the Barboutis.

U.S. Customs Service agents in Florida are investigating allegations that Dr. Barbouti and Haidar Barbouti invested \$5 million in a Boca Raton soft-drink coloring plant to produce and export a byproduct, hydrogen cyanide. The poison can be used in chemical weapons.

Federal authorities in Florida also are investigating allegations of the

illegal export of aircraft parts to Libya.

In October, as a result of the U.S. Customs Service investigation, authorities froze \$3.8 million of Barbouti funds in Miami and New York City banks — money believed to have been obtained through illegal exports.

Dr. Barbouti reportedly died of pneumonia on his 63rd birthday. However, one London-based Arabic language newspaper quoted unnamed British intelligence sources as saying they believed Dr. Barbouti was murdered by Iraqi agents.

Yet rumors continue that Dr. Barbouti feigned his death. Alan Friedman, a correspondent for the Lon-

don-based Financial Times who has been investigating the export of dual purpose technology, said an aide to President Bush told him that Dr. Barbouti is still alive.

He would not reveal the source of the information.

Barbouti attorneys have said Haidar Barbouti is simply a student at Columbia University in New York City. However, real estate documents show that he was a principal in purchase of high-profile Houston properties such as the Windsor Plaza and Highland Village retail strip centers.

Two other Barbouti children are said to live in Houston and attend a university here.

INTERNATIONAL PETROLEUM FRAUD

LIBYA, IRAQ AND COASTAL PETROLEUM CORPORATION

A STUDY IN SECRET POLICY INITIATIVES, SENIOR ADMINISTRATION
INFLUENCE AND THE PURCHASE OF INTEGRITY

THE SALE OF WEAPONS OF MASS DESTRUCTION AND ADVANCED TECHNOLOGY AND SCIENTIFIC SYSTEMS WERE NOT THE ONLY COMMODITIES BEING SOLD OFF BY OUR SENIOR ADMINISTRATION OFFICIALS AND THEIR FAVORED ASSOCIATES TO THE MIDDLE EAST. IN VIOLATION OF THE EMBARGO ACT, AND TO PROVIDE ASSISTANCE IN MEETING THE POLITY OF THE COVERT AND ILLEGAL NEEDS OF AGENTS OF THE IRAQI GOVERNMENT, MILLIONS OF BARRELS OF PETROLEUM CRUDE OIL HAS BEEN REDOCUMENTED AND DISCHARGED AT PETROLEUM REFINING AND PROCESSING FACILITIES AT PORTS IN TEXAS. THE PRICE OF A BARREL OF CRUDE IS SOMETIMES CALCULATED AT A HIGHER RATE OF EXCHANGE THAN IS POSTED AT THE FUEL PUMP. SOME OF US HAVE PAID THAT PRICE FOR THESE ACTIVITIES TO REMAIN SECRET AND FOR VERY PUBLIC INDIVIDUALS TO RETAIN THEIR FLAIR OF CONCERN FOR THE PUBLIC GOOD.

"THEY SAY HE WHO TRAVELS FASTEST TRAVELS ALONE
BUT TONIGHT I MISS MY GIRL MISTER TONIGHT I MISS
MY HOME."

FROM VALENTINES DAY , BY BRUCE SPRINGSTEEN

COMPILED AND PREPARED BY

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INTERNATIONAL PETROLEUM FRAUD

LIBYA, IRAQ

AND

COASTAL PETROLEUM CORPORATION

A STUDY IN SECRET POLICY INITIATIVES, SENIOR ADMINISTRATION INFLUENCE AND THE
PURCHASE OF INTEGRITY

CONTENTS

DEDICATION

INTRODUCTION

BACKGROUND

I. United States Secret Policy Initiatives

Introduction

A. Reagan/Bush Administration

B. Bush Administration

II. Senior Administration Implementation

Introduction

A. State Department

B. Commerce Department

C. Intelligence and Enforcement Agencies

III. Redocumentation of Petroleum Crude Oil

Introduction

A. Country of Origin

B. The Paper Trail

C. The "DNA" of Petroleum

IV. Coastal Petroleum Corporation

Introduction

A. Domestic Operations

B. The Libyan Connection

C. The European Paper Tiger

D. Intelligence Agency Connections

V. IBI, Isahan Barbouti and Associates

Introduction

*A. IBI's CEO Negotiates with Coastal
Petroleum*

*B. Barbouti Looks for U.S. Source to
"Launder" Crude*

*C. Barbouti Associates Provided Favored
Status in Contracts with Coastal Petroleum*

V. IBI, Iahan Barbouti and Associates (cont.)

*D. Haidar Barbouti in Possession of Internal
Commerce Department Communications*

VI. Implications and Conclusions

Introduction

- A. Secret Policy Initiative At Work*
- B. Another Called off Investigation*
- C. Again the Unsuspecting are Sacrificed*
- D. The Pedigree of the Crude is Protected*

VII. Appendices

Introduction

- A. Administration Documents*
- B. State and Commerce Documents*
- C. Excerpts from IBI Corporate Officers
Deposition in Federal Court Proceedings*
- D. Affidavit of Barbouti Associate #1*
- E. Affidavit of Barbouti Associate #2*
- F. Barbouti Associate Contracts with Coastal
Petroleum*
- G. Documents From Haidar Barbouti's Residence*

DEDICATION

This is for Diana, often when we should have been able to look forward to the comfort of sharing what we built together what we were left was only the ruin of a shattered dream. There is a truth that prevails. She believed in me in the beginning , truth doesn't always overcome the fear.

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Introduction

Beginning June 1990 after a sequence of events that could not be explained within the realm of conventional wisdom I made a conscious choice to determine what source was providing the unseen influences that seemed to create an environment of turmoil and conflict in every aspect of my personal and professional life. The original focus of my concern was related to having been involved in activities in having initiated an investigation into the illegal and covert operation of elements of the network of Iraqi Agents seeking to acquire sophisticated equipment intended to enhance their military capabilities. Those activities are documented elsewhere and are the core issue of what has disclosed the ability to examine here a seemingly small and unrelated personal dilemma.

The activities and events that have presented this country with the prospect of an open conflict of an extreme magnitude is a convoluted and diverse house of cards and mirrors created not only by the agents and operatives of the Iraqi government but maintained and supported in its construction by Senior Administration Officials of both the Reagan and Bush Administrations from 1980 until the present.

There is, even in the tightest wrapped ball of twine a loose end, that will provide its undoing if one is patient and willing to be aware and observe. What is presented here is not hypothesis, for six months, often regretting the decision, I worked that ball of twine created to be secure and tight. Often I have been accused of seeing what wasn't really there. In 1987 I was left to try to explain, quite unsuccessfully, why something that a lady and I built together fell apart at our feet, and made to face the displeasure of a Texas Criminal Court while the real thieves retained their comfort hiding in that house of cards and mirrors that they had created.

There is a lasting effect that takes its toll in peoples lives when subjected to the effects of these activities, first the belief in one's self is destroyed, then the trust and belief in you of those who should quite reasonably be able to depend on you is eroded, sometimes beyond repair. In achieving the position of knowledge and understanding that I find myself in at this point, those who I love and care for have had the emptiness, where the erosion created that void, filled with fear. The allegedly human quality of commitment, a sense of values and an ethic is so frail. In pursuing the knowledge and truth of a sequence of events and influences that destroyed what two people shared and built together, trusting in the strength that develops from honoring each other, the threat of an

implied power and intimidation has every potential proving itself so pervasive that nothing else will survive.

The sequences of events chronicled here were born of a random opportunistic event resulting in the theft of a significant amount of oil from Diana and I that was an asset to build our future on. Buried beneath the subsequent events are the activities that are required to keep secret and safe from the light of day the long term happenings of "Secret Policy Initiatives" and the processes that are prostituted to the personal and merchantile benefit of a select few. As that loose end of the twine unraveled farther and farther, what has been found in the midst of Coastal Petroleum and Oscar Wyatt's house of card and mirrors are permanent guests who shared a commonality in their purpose.

The theft of that oil is but the loose end of a piece of string, how far into the house of cards does it unwind? In it's unraveling is it long enough for Coastal Petroleum and Oscar Wyatt to maintain their position under the protection of the Administration of George Bush, another "Texas Oil Man", and that of the Department of Commerce and Robert Mossbacher, another "Texas Oil Man" in reaping the benefits of dealing away the lives of those who have been determined to be "the expendables" while courting the favor of Libya by running redocumented petroleum crude and supporting the activities of the the premier Iraqi procurement agent in Technology and Scientific Resources. Just maybe as that string unwinds there is enough light to overcome the fear.

BACKGROUND

In 1987 I was acting as a Petroleum Consultant in providing technical and regulatory assistance to oil and gas companies and industry service companies with the need for design and permitting of underground injection facilities for the disposal of waste water related to oil and gas production. After an investigation of the classification of waste water from oil transport tankers it was found that the waste water from the ships transporting petroleum could also be disposed of in the same facilities that were used for oil and gas waste water injection. A written disposition of this finding was secured from the Texas Railroad Commission.

Prior to this time the waste water from the wash down of tankers transporting crude into the ports of Texas was disposed of in facilities that charged a higher rate per barrel than is the normal charge in oil and gas production waste water disposal. This provided a distinct incentive for the ability to attract that segment of business from shipping companies and their agents. This was a major thrust

in expanding the revenue potential disposal projects involving only production waste water to including waste water from tanker cleanup. In the typical production waste water facility as much as 3% to 5% of the total fluids disposal volume is recoverable oil. In the waste water from tankers this percentage is significantly higher in the range of 10% to 20%, which would mean an increase in revenue proportionate to the amount of oil as a percentage of the total fluids volume.

At the time that this operation was being planned and implemented Diana and I were managing the installation of a facility at Trinidad, north east of Houston, of which we owned a portion. We had made a decision to locate a potential site for a facility within a reasonable transportation distance of the major petroleum handling port facilities of Texas City, Houston, Bay City and Pasadena. A portion of the overall design of the proposed facility included systems for the recovery and processing of the petroleum and other hydrocarbons by use of recombinant technology, then disposing of the associated waste water by traditional injection methods as approved by the Texas Railroad Commission. While locating and permitting a suitable location and injection well it was determined that under conditions of the written opinion of the Railroad Commission we could dispose of the waste water from tankers at other certified locations and process the recoverable petroleum by contract with other facilities economically.

The subsequent sequence of events in retrospect provided what has become the core scenario of activities that are of more than casual interest. The group that we contracted with for the initial two transactions in providing disposal services for petroleum tankers involved the following activities and events that have provided the perspective on understanding what began with the filing of a complaint on the oil stolen from us at that time. With other intelligence that has become available the following chronology can be compiled.

Little did we understand or know at that time that in expanding into providing a service to the marine industry, we were expanding into the covert and illegal activities of the Libyan and Coastal Petroleum redocumentation of petroleum crude oil, Coastal's relationship with Ishan Barbouti and the "House of Cards and Mirrors" facade that cost Diana everything that we were able to build together.

STATEMENT OF ACTIVITIES AND EVENTS

- * Contract is negotiated to receive and dispose of waste liquids from ships discharging petroleum cargo at dock facilities located at Texas City

after the unloading of their cargo and the cleaning of the cargo tanks had been completed. The owner of the petroleum crude oil cargo was Coastal Petroleum Corporation.

* Services were contracted to Macro Energy Services, Inc., 12941 I 45 North, Houston, Texas. Macro had previously through their contacts at the management level with Coastal contracted to provide disposal services but had no facilities. The President of Macro was Bruce Freeman, V.P. was Charles Tovey and Registered Agent, Kelly Michaels. (State corporate charter for Macro was cancelled 26-7-88, Registered Agent resigned 22-3-88.)

* Certification of the total fluid Volume and the percentage of petroleum crude and waste water was contracted to Seabolt Measurement Services, Pasadena, Texas. These services were to be provided in three stages; measurement and lab analysis of the total fluid volume from holding reservoirs onboard the ship, certification of the volumes after transfer of to the transportation barge at ship side, certification and lab analysis of the total fluid volumes at dock side into storage.

* Transportation of the total fluid volume of waste water and petroleum was contracted to Channel /Bunker Services, Houston, Texas. Transfer was by barge from shipside after transfer, to dockside and storage at a Texas City storage facility.

* Storage of the total fluid volume was contracted at Lowery Tank Terminal, at their tank storage facility at Texas City, Texas. This facility would provide the ability to separate the petroleum and waste water for disposal and treatment, allowing disposition of the petroleum crude oil to the crude purchasers.

* At receipt of the barge at dockside for transfer of the total fluid volume into storage for treatment discrepancies from the original percentages of petroleum crude oil and waste water were detected in all compartments of the transport barge. These discrepancies magnified significantly after the oil and waste water had time to stabilize and separate in the storage tank. It was also noted that lab tests detected discrepancies in the chemical makeup of the petroleum crude oil from that of the documented and stated country of origin.

* Discrepancies of the measured quantity of petroleum crude oil as originally determined by certified measurements on board the ship and that quantity delivered to the storage facility after waste water had been separated off the tank were nearly 4,000 bbls of crude.

* The loss of the petroleum crude oil and the discrepancies were not resolved in any manner subsequent to the delivery of the total volume of crude and waste water.

* The loss of such a significant amount of petroleum crude oil and the attendant costs of disposal of the waste water and other expenses affected the overall financial position of our operations to the extreme in personal and business matters.

* The Petroleum Crude Oil that was unaccounted for from the documented and certified volumes from original measurements were valued at between \$80,000 and \$100,000 based on marketability of the crude.

* Documentation on the transactions were compiled and a formal complaint was filed with the Federal Bureau of Investigation. FBI Agent Ralph Sertano accepted the documents and conducted the interview. The documents are still in the possession of the FBI in their Houston office. No subsequent investigation of the complaint has been affected on the part of the FBI as of this date.

* Channel Bunker Service has recently been found Guilty of fraudulently tampering with crude products consigned to its vessels for transportation. (THIS FACT WAS DISCLOSED BY LEGAL COUNCIL FOR SEYBOLT WHO WAS A CODEFENDANT IN THE CASE IN A HOUSTON COURT)

* Lowery Tank Terminal Officials have been investigated for Organized Crime Activities related to fraud in transportation and storage of petroleum Products. (THIS WAS DISCLOSED IN CONVERSATIONS FROM A RELIABLE SOURCE WHO HAS FOLLOWED THE INVESTIGATIONS)

* Subsequent to filing the documented complaint on the theft of the petroleum crude oil with the FBI Robert F. Bickel, Sr. was indicted and received a 10 year probated sentence on a charge of theft of services. This charge was related to a

hotel bill incurred at the time of the theft of the petroleum crude oil and filing the complaint on the theft with the FBI.

NOTE: ALL OF THE EVENTS AND DOCUMENTS REQUIRED TO VALIDATE THE ABOVE STATES SEQUENCE OF EVENTS ARE CHRONICLED IN A COMPILATION OF DOCUMENTS IN THE POSSESSION OF FBI AGENT RALPH SERANO, FBI OFFICE, HOUSTON, TEXAS.

I. United States Secret Policy Initiatives
Introduction

THE INTELLIGENCE AND DOCUMENTATION THAT SUBSTANTIATES THIS CHRONOLOGY AND THE FOLLOWING STATEMENTS IS MORE THAN JUST ON PERSONAL INFORMATION AND BELIEF. SINCE JUNE 1990 I HAVE BEEN ACTIVELY DEVELOPING THE DOCUMENT TRAIL THROUGH INTELLIGENCE SOURCES DOMESTICALLY AND IN THE INTERNATIONAL COMMUNITY. WHAT IS DISCUSSED HERE IS BUT A SMALL PART OF THE BROADER SCALE OF ACTIVITIES AND EVENTS THAT HAVE SUPPORTED THE CURRENT IRAQI REGIME IN ACQUIRING THE ABILITY TO ENHANCE IT'S MILITARY CAPABILITY IN AREAS OF ADVANCED WEAPONRY. THE ACTIVITIES OF COASTAL PETROLEUM AND OSCAR WYATT HAVE HAD THE SIGNIFICANCE OF FINANCIALLY PROVIDING THE SUPPORT REQUIRED TO ADVANCE THE IRAQI AGENDA.

A. Reagan/Bush Administration

B. Bush Administration

II. Senior Administration Implementation
Introduction

A. State Department

B. Commerce Department

C. Intelligence and Enforcement Agencies

THAT THE INVESTIGATION INTO THE CRUDE THEFT WAS NEVER PERSUED BY THE FEDERAL BUREAU OF INVESTIGATION DUE TO INFLUENCE OR PRESSURE EXERTED FROM ASSOCIATES OF COASTAL EMPLOYEES IN THE INTELLIGENCE COMMUNITY. THIS INSPITE OF THE VALUE OF THE CRUDE MISSING IN TRANSPORT. (DOCUMENTED ACTIVITIES OF SENIOR OFFICIALS OF THE REAGAN AND BUSH ADMINISTRATIONS IN INFLUENCING POTENTIALLY EMBARRASSING INVESTIGATIONS)

THAT THE DOCUMENTS REQUIRED FOR REDOCUMENTATION OF CRUDE OIL BEING SHIPPED AS IS THE PETROLEUM CRUDE INVOLVED WITH

COASTAL BRINGING REDOCUMENTED CRUDE INTO THE U.S. HAS TO HAVE THE SAME COOPERATION BY THE INDIVIDUALS IN FOREIGN COUNTRIES WHO ARRANGE FALSIFIED END USER CERTIFICATES ON MILITARY WEAPONS AND TECHNICAL AND SCIENTIFIC RESOURCES. (THIS HAS BEEN CONFIRMED BY SOURCES WITHIN THE INTERNATIONAL INTELLIGENCE COMMUNITY WHO HAVE PARTICIPATED IN THESE OIL REDOCUMENTATION ACTIVITIES)

III. Redocumentation of Petroleum Crude Oil *Introduction*

A. Country of Origin

THAT INVESTIGATION INTO THE CRUDE THEFT WOULD HAVE UNCOVERED THE TRUE POINT OF ORIGIN OF THE PETROLEUM THAT WAS STOLEN FROM BICKEL AND WOULD HAVE LEAD TO THE DISCLOSURE THAT COASTAL WAS BRINGING REDOCUMENTED PETROLEUM CRUDE OIL INTO THE U.S. IN VIOLATION OF THE EMBARGO'S ESTABLISHED AGAINST LIBYA AND IRAN. (INCONSISTENCIES IN THE CHEMICAL CONSTITUENCY OF THE PETROLEUM CRUDE OIL FROM THE STATED COUNTRY OF ORIGIN WOULD HAVE BEEN QUESTIONED)

B. The Paper Trail

THAT THE DOCUMENTATION TO SUBSTANTIATE THESE ACTIVITIES IS AVAILABLE WITHIN THE DOCUMENT TRAIL BETWEEN U.S. FINANCIAL FACILITIES AND THE FINANCIAL FACILITIES WITHIN THE EUROPEAN COMMUNITY THAT ARE IDENTIFIABLE CURRENTLY IN THE INTELLIGENCE INFORMATION ON ACTIVITIES OF IRAQI AGENTS AND OPERATIVES. (INTELLIGENCE AND DOCUMENTS DEVELOPED SINCE JUNE 1990)

C. The "DNA" of Petroleum

THAT THIS IS EASILY CONFIRMED BY A LABORATORY ANALYSIS OF CRUDE OIL SAMPLES FROM SHIPS BEING DISCHARGED AT TEXAS PORTS OR ANY OTHER PORT IN THE U.S. OF CRUDE BELONGING TO COASTAL PETROLEUM. PETROLEUM CRUDE OIL IS AS SPECIFIC IN IT'S CHEMICAL MAKEUP AND CONSTITUENCY AS IS THE GENETIC DNA STRUCTURE OF A HUMAN BEING, THIS MAKES THE PETROLEUM PRODUCT IDENTIFIABLE AS TO IT'S COUNTRY OF ORIGIN, INCLUDING PRODUCTION REGION AND HORIZON. (INDUSTRY KNOWLEDGE OF THE REQUIREMENTS FOR IDENTIFICATION OF PETROLEUM CRUDE OIL FOR WELL STIMULATION, PROCESSING AND REFINING)

IV. Coastal Petroleum Corporation

Introduction

Coastal Petroleum Corporation has been investigated for irregularities in their business dealings with Libya and

other Middle East countries since the Embargo initiated by the Reagan Administration imposed sanctions against Libya for the support of terrorists. The first investigation was completed in 1987. New investigations have been initiated by U.S. Treasury, Foreign Assets Division and U.S. Customs, Fraud Division.

THAT COASTAL PETROLEUM HAS ACTED AS A CONDUIT FOR THE BEST INTEREST IT'S OWN MERCANTILE INTERESTS AND THOSE OF LIBYA, IRAQ AND IRAN IN IT'S DEALINGS WITH THOSE COUNTRIES THROUGH IT'S SUBSIDIARIES AND SURROGATE AGENTS. (THE LONG TERM ACTIVITIES OF COASTAL IN DEALING WITH THESE COUNTRIES IS DOCUMENTED IN MANY SOURCES)

THAT THE DOCUMENTATION TO SUBSTANTIATE THESE ACTIVITIES IS AVAILABLE WITHIN THE DOCUMENT TRAIL BETWEEN U.S. FINANCIAL FACILITIES AND THE FINANCIAL FACILITIES WITHIN THE EUROPEAN COMMUNITY THAT ARE IDENTIFIABLE CURRENTLY IN THE INTELLIGENCE INFORMATION ON ACTIVITIES OF IRAQI AGENTS AND OPERATIVES. (INTELLIGENCE AND DOCUMENTS DEVELOPED SINCE JUNE 1990)

A. Domestic Operations

B. The Libyan Connection

COASTAL PETROLEUM AND OSCAR WYATT HAVE CONTINUED TO PURCHASE CRUDE FROM LIBYA EVEN AFTER THE EMBARGO ESTABLISHED BY THE REAGAN ADMINISTRATION BY THE USE OF A SERIES OF PAPER COMPANIES IN GERMANY AND BELGIUM. (INVESTIGATIVE JOURNALISTIC AND INTELLIGENCE SOURCES)

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COASTAL AND IT'S SUBSIDIARIES HAVE DEALT REGULARLY WITH NOT ONLY LIBYA BUT ALSO WITH IRAQ AND IRAN MAINTAINING CLOSE RELATIONSHIPS WITH THESE NATIONS AND THE SENIOR OFFICIALS OF BOTH REGIMES. (INTERNATIONAL INTELLIGENCE SOURCES)

C. The European Paper Tiger

THE PAPER COMPANIES ESTABLISHED BY COASTAL PETROLEUM AND OSCAR WYATT HAVE BEEN USED TO REDOCUMENT CRUDE SHIPPED INTO U.S. PORTS INCLUDING TEXAS. CRUDE VOLUMES TRANSPORTED FROM LIBYA HAVE EXCEEDED THE VOLUMES THAT CAN BE PROCESSED BY THE SUBSIDIARY REFINERY OWNED BY COASTAL IN GERMANY. THIS ABILITY TO REDOCUMENT CRUDE FROM EMBARGOED NATIONS IS STILL FUNCTIONING AND IS BEING USED BY LIBYA TO ASSIST IRAQ IN

other Middle East countries since the Embargo initiated by the Reagan Administration imposed sanctions against Libya for the support of terrorists. The first investigation was completed in 1987. New investigations have been initiated by U.S. Treasury, Foreign Assets Division and U.S. Customs, Fraud Division.

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COASTAL PETROLEUM AND OSCAR WYATT HAVE CONTINUED TO PURCHASE CRUDE FROM LIBYA EVEN AFTER THE EMBARGO ESTABLISHED BY THE REAGAN ADMINISTRATION BY THE USE OF A SERIES OF PAPER COMPANIES IN GERMANY AND BELGIUM. (INVESTIGATIVE JOURNALISTIC AND INTELLIGENCE SOURCES)

THAT COASTAL PETROLEUM HAS ACTED AS A CONDUIT FOR THE BEST INTEREST IT'S OWN MERCANTILE INTERESTS AND THOSE OF LIBYA, IRAQ AND IRAN IN IT'S DEALINGS WITH THOSE COUNTRIES THROUGH IT'S SUBSIDIARIES AND SURROGATE AGENTS. (THE LONG TERM ACTIVITIES OF COASTAL IN DEALING WITH THESE COUNTRIES IS DOCUMENTED IN MANY SOURCES)

COASTAL AND IT'S SUBSIDIARIES HAVE DEALT REGULARLY WITH NOT ONLY LIBYA BUT ALSO WITH IRAQ AND IRAN MAINTAINING CLOSE RELATIONSHIPS WITH THESE NATIONS AND THE SENIOR OFFICIALS OF BOTH REGIMES. (INTERNATIONAL INTELLIGENCE SOURCES)

C. The European Paper Tiger

THE PAPER COMPANIES ESTABLISHED BY COASTAL PETROLEUM AND OSCAR WYATT HAVE BEEN USED TO REDOCUMENT CRUDE SHIPPED INTO U.S. PORTS INCLUDING TEXAS. CRUDE VOLUMES TRANSPORTED FROM LIBYA HAVE EXCEEDED THE VOLUMES THAT CAN BE PROCESSED BY THE SUBSIDIARY REFINERY OWNED BY COASTAL IN GERMANY. THIS ABILITY TO REDOCUMENT CRUDE FROM EMBARGOED NATIONS IS STILL FUNCTIONING AND IS BEING USED BY LIBYA TO ASSIST IRAQ IN

IT'S NEEDED FLOW OF REAL DOLLAR CURRENCY. (DOMESTIC AND INTERNATIONAL INTELLIGENCE SOURCES)

THAT PETROLEUM PRODUCTS BEING DELIVERED TO U.S. PORTS INCLUDING TEXAS BY COASTAL PETROLEUM IS BEING REDOCUMENTED AS PETROLEUM PRODUCTS FROM COUNTRIES OTHER THAN LIBYA, IRAQ OR IRAN. (INTELLIGENCE ON DOCUMENTATION SOURCES IN EUROPE)

D. Intelligence Agency Connections

THE FINANCIAL FACILITIES USED FOR THE TRANSFER OF FUNDS IN THE CRUDE PURCHASES BETWEEN COASTAL PETROLEUM, IT'S SUBSIDIARIES AND THE COVERT IRAQI NETWORK SET UP TO LAUNDER FUNDS FROM THE U.S. SPONSORED AG LOAN PROGRAM AND ACQUIRE MILITARY EQUIPMENT AND TECHNICAL RESOURCES ARE THE SAME. THESE FACILITIES HAVE BEEN SET UP AND MANAGED BY ASSETS OF THE U.S. INTELLIGENCE COMMUNITY INCLUDING INTELLIGENCE ASSETS WITHIN THE STAFF OF COASTAL. COASTAL HAS PARTICIPATED IN THE ACTIVITIES IN SUPPORT OF IRAQ AND IS STILL MANAGING SUPPORT THROUGH IT'S TIES WITH LIBYA. (INTELLIGENCE AND DOCUMENT SOURCES)

COASTAL SENIOR STAFF EMPLOYEES MAINTAIN A CLOSE RELATIONSHIP WITH THE U.S. INTELLIGENCE AGENCIES AND USE CENTRAL INTELLIGENCE AGENCY ASSETS IN DOMESTIC AND FOREIGN POSITIONS. THIS INCLUDES CONTRACTED SERVICES WHERE THESE INDIVIDUALS ARE GIVEN PREFERENTIAL ACCESS TO CONTRACTS. (DOMESTIC AND INTERNATIONAL INTELLIGENCE SOURCES)

BRUCE FREEMAN, PRESIDENT OF MACRO ENERGY SERVICES, INC. IS CONFIRMED AS A CENTRAL INTELLIGENCE AGENCY ASSET, HAVING CLOSE TIES TO SENIOR COASTAL PETROLEUM MANAGEMENT STAFF. (FREEMAN HAS STATED HIS ASSOCIATION WITH THE CIA AS A FACT AND IT HAS BEEN CONFIRMED THROUGH INTELLIGENCE SOURCES)

V. IBI, Isahan Barbouti and Associates

Introduction

The following is a compilation of information available at the time of the activities chronicled above and intelligence gathered in investigation of the activities of Isahan Barbouti and his associates in their network of covert and illegal activities in procuring weapons technology and scientific resources. Significant to their associations and activities are relations with Coastal Petroleum Corporation and the support of their activities provided by Senior Officials of the Reagan and Bush Administrations.

A. IBI's CEO Negotiates with Coastal Petroleum

B. Barbouti Looks for U.S. Source to "Launder" Crude

C. Barbouti Associates Provided Favored Status in Contracts with Coastal Petroleum

D. Haidar Barbouti in Possession of Internal Commerce Department Communications

VI. Implications and Conclusions *Introduction*

A. Secret Policy Initiative At Work

THAT THE DEALINGS WITH LIBYA, IRAQ AND IRAN BY COASTAL PETROLEUM HAS BEEN AS AN INSTRUMENT OF THE SECRET POLICY INITIATIVES AS ESTABLISHED BY THE REAGAN AND BUSH ADMINISTRATIONS. (DOCUMENTS AND INTELLIGENCE SOURCES OPERATING DOMESTICALLY IN EUROPE AND THE MIDDLE EAST)

THAT THESE ACTIVITIES HAVE BEEN WITH THE KNOWLEDGE, CONCENT AND ASSISTANCE OF THE U.S. INTELLIGENCE COMMUNITY AND SENIOR OFFICIALS OF THE UNITED STATES GOVERNMENT. (DOCUMENTS AND INTELLIGENCE SOURCES)

B. Another Called off Investigation

THE FBI NOT INVESTIGATING THE DOCUMENTED COMPLAINT ON THE THEFT OF OIL IN 1987 RESULTED IN ECONOMIC AND LONG TERM LEGAL DAMAGE TO THE BUSINESS AND PERSONAL LIFE OF ROBERT F. BICKEL, SR.

C. Again the Unsuspecting are Sacrificed

THE IMMEDIATE LOSS OF THE REVENUE FROM THE PETROLEUM WAS SIGNIFICANT ENOUGH THAT IRREPARABLE DAMAGE WAS DONE TO THE BUSINESS VENTURE THAT WAS BEING INITIATED.

THE IMMEDIATE AND LONG TERM EFFECT OF THE THEFT OF THE OIL AND THE REFUSAL OF THE FBI TO INITIATE AN INVESTIGATION RESULTED IN BICKEL BEING CHARGED WITH THEFT OF SERVICES FOR NOT HAVING THE FUNDS TO PAY A HOTEL BILL. FURTHER BICKEL NOT HAVING THE FUNDS TO SECURE ADEQUATE LEGAL COUNCIL WAS FORCED TO ACCEPT A NEGOTIATED PROBATED SENTENCE, THIS HAS HAMPERED HIS PROFESSIONAL AND PERSONAL LIFE SINCE THAT TIME. (COURT RECORDS HARRIS COUNTY, TEXAS)

THE PROBATION HAS BEEN USED AS AN EFFECTIVE MEANS OF PSYCHOLOGICAL OPERATIONS IN THE DAMAGE CONTROL AFFECTED ON BICKEL TO CONTINUE TO DISCREDIT HIM JUST AS THESE TECHNIQUES HAVE BEEN USED ON OTHER INDIVIDUAL CITIZENS, AGENTS AND OPERATIVES WHO HAVE PERSUED OTHER INVESTIGATIONS OF THE ILLEGAL AND COVERT ACTIVITIES OF THE INTELLIGENCE COMMUNITY IN SUPPORT OF BLACK OPERATIONS THAT HAVE BEEN ESTABLISHED AS PART OF THE SECRET POLICY INITIATIVES OF THE REAGAN AND BUSH

ADMINISTRATIONS. (DOCUMENTATION AND STUDY OF OTHER INSTANCES INVOLVING INVESTIGATIONS INVOLVING THE ACTIVITIES AND EVENTS OF THE CENTRAL INTELLIGENCE AGENCY IT'S AGENTS AND OPERATIVES IN IMPLEMENTING THE SECRET POLICY INITIATIVES OF THE REAGAN AND BUSH ADMINISTRATIONS)

D. The Pedigree of the Crude is Protected

VII. Appendices

Introduction

A. Administration Documents

B. State and Commerce Documents

*C. Excerpts from IBI Corporate Officers Deposition
in Federal Court Proceedings*

D. Affidavit of Barbouti Associate #1

E. Affidavit of Barbouti Associate #2

*F. Barbouti Associate Contracts with Coastal
Petroleum*

G. Documents From Haidar Barbouti's Residence

COASTAL PETROLEUM AS A COVERT ADMINISTRATION SURROGATE
IN IRAQ AND THE MIDDLE EAST
THE TIES TO SECRET POLICY INITIATIVES

STOLEN OIL 1987

ANOTHER CALLED OFF INVESTIGATION

IN 1987 I WAS INVOLVED IN PROVIDING TECHNICAL AND REGULATORY ASSISTANCE TO OIL AND GAS COMPANIES AND INDUSTRY SERVICE COMPANIES WITH THE NEED FOR DESIGN AND PERMITTING OF UNDERGROUND INJECTION OF SALT WATER RELATED TO OIL AND GAS PRODUCTION. AFTER INVESTIGATING THE CLASSIFICATION OF WASTE WATER FROM OIL TANKERS IT WAS FOUND THAT THIS WASTE WATER COULD ALSO BE DISPOSED OF IN THE SAME FACILITIES THAT WERE USED FOR OIL AND GAS WASTE WATER INJECTION. A WRITTEN DISPOSITION OF THIS FINDING WAS ASKED FOR AND RECEIVED FROM THE TEXAS RAILROAD COMMISSION.

PRIOR TO THIS TIME THE WASTE WATER FROM THE WASH DOWN OF TANKERS TRANSPORTING CRUDE INTO THE PORTS OF TEXAS WAS DISPOSED OF IN FACILITIES THAT CHARGED A HIGHER RATE PER BARREL THAN IS THE NORMAL CHARGE IN PRODUCTION WASTE WATER DISPOSAL. THIS PROVIDED A DISTINCT INCENTIVE FOR ATTRACTING THAT BUSINESS FROM SHIPPING COMPANIES AND THEIR AGENTS. THIS WAS A MAJOR THRUST OF STEPPING FROM DISPOSAL PROJECTS INVOLVING PRODUCTION WASTE WATER TO INCLUDING SHIPBOARD WASTE WATER. IN THE TYPICAL PRODUCTION WASTEWATER FACILITY AS MUCH AS 3% TO 5% OF THE TOTAL FLUIDS DISPOSAL VOLUME WAS RECOVERABLE OIL, IN THE WASTE WATER FROM SHIPS THIS PERCENTAGE WAS SIGNIFICANTLY HIGHER IN THE RANGE OF 10% TO 20% WHICH WOULD MEAN AN INCREASE IN REVENUE PROPORTIONATE TO THE AMOUNT OF OIL RECOVERABLE.

AT THE TIME THAT THIS OPERATION WAS BEING PLANNED AND IMPLEMENTED MY FIANCE AND I WERE MANAGING THE INSTALLATION OF A FACILITY AT TRINIDAD NORTH EAST OF HOUSTON, OF WHICH WE OWNED A PORTION. WE HAD DECIDED TO LOCATE A POTENTIAL SITE FOR A FACILITY WITHIN A REASONABLE TRANSPORTATION DISTANCE OF THE MAJOR PETROLEUM HANDLING PORT FACILITIES OF TEXAS CITY, HOUSTON, BAY CITY AND PASADENA. PART OF THE PLAN WAS TO IMPLEMENT A FACILITY INVOLVING RECOVERY OF HYDROCARBONS AND RELATED BY PRODUCTS AND PROCESS THEM USING RECOMBINANT TECHNOLOGY, AND DISPOSE OF THE WASTE WATER BY TRADITIONAL INJECTION METHODS AS APPROVED BY THE TEXAS RAILROAD COMMISSION. WHILE LOCATING AND PERMITTING A SUITABLE LOCATION IT WAS DECIDED THAT WE COULD UNDER CONDITIONS OF THE WRITTEN OPINION OF THE RAILROAD IN HAND UTILIZE OTHER PRODUCTION WASTE DISPOSAL LOCATIONS AND CONTRACT THE DISPOSAL OF THE WASTE WATER PHASE FROM THE TOTAL LIQUIDS FROM SHIPS RECOVERING THE OIL FOR PROCESSING AT A LOWER COST PER BARREL.

THIS SEQUENCE OF EVENTS LEADS TO AN AREA OF MORE THAN CASUAL INTEREST. THE GROUP THAT I CONTRACTED WITH FOR THE INITIAL TWO TRANSACTIONS IN MOVING INTO PROVIDING DISPOSAL SERVICES FOR SHIPS INVOLVED THE FOLLOWING ACTIVITIES AND EVENTS THAT IN RETROSPECT HAVE COME INTO A FAR DIFFERENT PERSPECTIVE. NOW THAT OTHER INTELLIGENCE IS AVAILABLE THE FOLLOWING CHRONOLOGY CAN BE COMPILED RELATING TO

THE OIL STOLEN FROM DIANA AND I IN 1987. THIS CHRONOLOGY CAN ALSO
PRESENT A VERY PERSONAL ATTITUDE TOWARD THE CURRENT INVESTIGATION OF
THE ACTIVATES OF COASTAL PETROLEUM AND IT'S ACTIVATES THE
DOCUMENTATION FOR THIS CHRONOLOGY IS IN HAND OR AVAILABLE FROM
SOURCES THAT ARE IRREFUTABLE.

STATEMENT OF ACTIVITIES AND EVENTS

* BICKEL CONTRACTED TO RECEIVE AND DISPOSE OF WASTE LIQUIDS FROM SHIPS DISCHARGING PETROLEUM AT DOCK FACILITIES LOCATED IN TEXAS CITY AFTER THE UNLOADING OF THEIR CARGO AND CLEANING OF THE CARGO TANKS HAD BEEN COMPLETED. THE OWNER OF THE PETROLEUM CRUDE CARGO WAS COASTAL PETROLEUM. ^{oil}

* BICKEL HAD CONTRACTED THE SERVICES TO MACRO ENERGY SERVICES, INC., 12941 I 45 NORTH, HOUSTON, TEXAS. MACRO HAD PREVIOUSLY MADE APRANGEMENTS WITH THE OWNER OF THE CARGO AND THE SHIPPING AGENT TO PROVIDE THIS SERVICE BUT HAD NO FACILITIES. THE PRESIDENT OF MACRO WAS BRUCE FREEMAN, V.P. WAS CHARLES TOVEY, REGISTERED AGENT KELLY MICHAELS.

* CERTIFICATION OF THE TOTAL FLUID VOLUME WAS CONTRACTED TO SEABOLT MEASUREMENT SERVICES, PASADENA, TEXAS. THIS WAS TO BE DONE IN THREE STAGES; MEASUREMENT AND LAB ANALYSIS OF THE TOTAL FLUID VOLUME FROM SHIPBOARD HOLDING TANKS, CERTIFICATION OF THE VOLUMES AFTER TRANSFER TO THE BARGE AT SHIP SIDE FOR TRANSPORTATION, CERTIFICATION AND LAB ANALYSIS OF THE TOTAL FLUID VOLUMES AT DOCK SIDE INTO STORAGE.

* TRANSPORTATION OF THE TOTAL VOLUME OF WASTE WATER AND PETROLEUM WAS CONTRACTED TO CHANNEL BUNKER SERVICES, HOUSTON, TEXAS. TRANSPORTATION WAS BY BARGE FROM SHIP SIDE AFTER TRANSFER, TO DOCK SIDE AND STORAGE AT A TEXAS CITY TANK STORAGE FACILITY.

* STORAGE OF THE TOTAL FLUID VOLUME WAS CONTRACTED AT LOWRY TANK TERMINAL, IN THEIR TANK STORAGE FACILITY AT TEXAS CITY, TEXAS. THIS FACILITY WOULD PROVIDE THE ABILITY TO SEPARATE AND TREAT THE WASTE WATER AND PETROLEUM CRUDE OIL FOR DISPOSITION TO CRUDE BUYERS AND DISPOSAL.

* AFTER RECEIPT OF THE BARGE AT DOCK SIDE FOR TRANSFER OF THE TOTAL FLUID VOLUME INTO STORAGE FOR TREATMENT DISCREPANCIES IN THE PERCENTAGES OF WASTE WATER TO PETROLEUM VOLUME WERE DETECTED IN ALL COMPARTMENTS OF THE TRANSPORT BARGE. THE DISCREPANCIES MAGNIFIED SIGNIFICANTLY AFTER THE OIL AND WASTE WATER USED TO WASH

VOLUMES TRANSPORTED FROM LIBYA HAVE EXCEEDED THE VOLUMES THAT CAN BE PROCESSED BY THE SUBSIDIARY REFINERY OWNED BY COASTAL IN GERMANY. THIS ABILITY TO REDOCUMENT CRUDE FROM EMBARGOED NATIONS IS STILL FUNCTIONING AND IS BEING USED BY LIBYA TO ASSIST IRAQ IN IT'S NEEDED FLOW OF REAL DOLLAR CURRENCY. (DOMESTIC AND INTERNATIONAL INTELLIGENCE SOURCES)

* COASTAL AND IT'S SUBSIDIARIES HAVE DEALT REGULARLY WITH NOT ONLY LIBYA BUT ALSO WITH IRAQ AND IRAN MAINTAINING CLOSE RELATIONSHIPS WITH THESE NATIONS AND THE SENIOR OFFICIALS OF BOTH REGIMES. (INTERNATIONAL INTELLIGENCE SOURCES)

* THE FINANCIAL FACILITIES USED FOR THE TRANSFER OF FUNDS IN THE CRUDE PURCHASES BETWEEN COASTAL PETROLEUM, IT'S SUBSIDIARIES AND THE COVERT IRAQI NETWORK SET UP TO LAUNDER FUNDS FROM THE U.S. SPONSORED AG LOAN PROGRAM AND ACQUIRE MILITARY EQUIPMENT AND TECHNICAL RESOURCES ARE THE SAME. THESE FACILITIES HAVE BEEN SET UP AND MANAGED BY ASSETS OF THE U.S. INTELLIGENCE COMMUNITY INCLUDING INTELLIGENCE ASSETS WITHIN THE STAFF OF COASTAL. COASTAL HAS PARTICIPATED IN THE ACTIVITIES IN SUPPORT OF IRAQ AND IS STILL MANAGING SUPPORT THROUGH IT'S TIES WITH LIBYA. (INTELLIGENCE AND DOCUMENT SOURCES)

* COASTAL SENIOR STAFF EMPLOYEES MAINTAIN A CLOSE RELATIONSHIP WITH THE U.S. INTELLIGENCE AGENCIES AND USE CENTRAL INTELLIGENCE AGENCY ASSETS IN DOMESTIC AND FOREIGN POSITIONS. THIS INCLUDES CONTRACTED SERVICES WHERE THESE INDIVIDUALS ARE GIVEN PREFERENTIAL ACCESS TO CONTRACTS. (DOMESTIC AND INTERNATIONAL INTELLIGENCE SOURCES)

* BRUCE FREEMAN, PRESIDENT OF MACRO ENERGY SERVICES, INC. IS CONFIRMED AS A CENTRAL INTELLIGENCE AGENCY ASSET, HAVING CLOSE TIES TO SENIOR COASTAL PETROLEUM MANAGEMENT STAFF. (FREEMAN HAS STATED HIS ASSOCIATION WITH THE CIA AS A FACT AND IT HAS BEEN CONFIRMED THROUGH INTELLIGENCE SOURCES)

* CHANNEL BARGE SERVICE HAS BEEN RECENTLY FOUND GUILTY OF FRAUDULENTLY TAMPERING WITH CRUDE CONSIGNED TO IT FOR TRANSPORTATION. (THIS FACT WAS DISCLOSED BY LEGAL COUNCIL FOR SEYBOLT WHO WAS A CODEFENDANT IN THE CASE IN A HOUSTON COURT)

* LOWRY TANK TERMINAL OFFICIALS HAVE BEEN INVESTIGATED FOR ORGANIZED CRIME ACTIVITIES RELATED TO FRAUD IN TRANSPORTATION AND STORAGE OF PETROLEUM PRODUCTS. (THIS WAS DISCLOSED IN CONVERSATIONS FROM A RELIABLE SOURCE WHO HAS FOLLOWED THE INVESTIGATIONS)

CONCLUSIONS AND IMPLICATIONS

* THAT PETROLEUM PRODUCTS BEING DELIVERED TO U S PORTS INCLUDING TEXAS BY COASTAL PETROLEUM IS BEING REDOCUMENTED AS PETROLEUM PRODUCTS FROM COUNTRIES OTHER THAN LIBYA, IRAQ OR IRAN. (INTELLIGENCE ON DOCUMENTATION SOURCES IN EUROPE)

* THAT THIS IS EASILY CONFIRMED BY A LABORATORY ANALYSIS OF CRUDE OIL SAMPLES FROM SHIPS BEING DISCHARGED AT TEXAS PORTS OR ANY OTHER PORT IN THE U.S. OF CRUDE BELONGING TO COASTAL PETROLEUM. PETROLEUM CRUDE OIL IS AS SPECIFIC IN IT'S CHEMICAL MAKEUP AND CONSTITUENCY AS IS THE GENETIC DNA STRUCTURE OF A HUMAN BEING. THIS MAKES THE PETROLEUM PRODUCT IDENTIFIABLE AS TO IT'S COUNTRY OF ORIGIN, INCLUDING PRODUCTION REGION AND HORIZON. (INDUSTRY KNOWLEDGE OF THE REQUIREMENTS FOR IDENTIFICATION OF PETROLEUM CRUDE OIL FOR WELL STIMULATION, PROCESSING AND REFINING)

* THAT THE INVESTIGATION INTO THE CRUDE THEFT WAS NEVER PERSUED BY THE FEDERAL BUREAU OF INVESTIGATION DUE TO INFLUENCE OR PRESSURE EXERTED FROM ASSOCIATES OF COASTAL EMPLOYEES IN THE INTELLIGENCE COMMUNITY. THIS INSPITE OF THE VALUE OF THE CRUDE MISSING IN TRANSPORT (DOCUMENTED ACTIVITIES OF SENIOR OFFICIALS OF THE REAGAN AND BUSH ADMINISTRATIONS IN INFLUENCING POTENTIALLY EMBARRASSING INVESTIGATIONS)

* THAT INVESTIGATION INTO THE CRUDE THEFT WOULD HAVE UNCOVERED THE TRUE POINT OF ORIGIN OF THE PETROLEUM THAT WAS STOLEN FROM BICKEL AND WOULD HAVE LEAD TO THE DISCLOSURE THAT COASTAL WAS BRINGING REDOCUMENTED PETROLEUM CRUDE OIL INTO THE U.S. IN VIOLATION OF THE EMBARGO'S ESTABLISHED AGAINST LIBYA AND IRAN (INCONSISTENCIES IN THE CHEMICAL CONSTITUENCY OF THE PETROLEUM CRUDE OIL FROM THE STATED COUNTRY OF ORIGIN WOULD HAVE BEEN QUESTIONED)

* THAT COASTAL PETROLEUM HAS ACTED AS A CONDUIT FOR THE BEST INTEREST IT'S OWN MERCANTILE INTERESTS AND THOSE OF LIBYA, IRAQ AND IRAN IN IT'S DEALINGS WITH THOSE COUNTRIES THROUGH IT'S SUBSIDIARIES AND SURROGATE AGENTS. (THE LONG TERM ACTIVITIES OF COASTAL IN DEALING WITH THESE COUNTRIES IS DOCUMENTED IN MANY SOURCES)

* THAT THE DEALINGS WITH LIBYA, IRAQ AND IRAN BY COASTAL PETROLEUM HAS BEEN AS AN INSTRUMENT OF THE SECRET POLICY INITIATIVES AS ESTABLISHED BY THE REAGAN AND BUSH ADMINISTRATIONS. (DOCUMENTS AND INTELLIGENCE SOURCES OPERATING DOMESTICALLY IN EUROPE AND THE MIDDLE EAST)

* THAT THESE ACTIVITIES HAVE BEEN WITH THE KNOWLEDGE, CONCEIT AND ASSISTANCE OF THE U.S. INTELLIGENCE COMMUNITY AND SENIOR OFFICIALS OF THE UNITED STATES GOVERNMENT (DOCUMENTS AND INTELLIGENCE SOURCES)

* THAT THE DOCUMENTATION TO SUBSTANTIATE THESE ACTIVITIES IS AVAILABLE WITHIN THE DOCUMENT TRAIL BETWEEN U.S. FINANCIAL FACILITIES AND THE FINANCIAL FACILITIES WITHIN THE EUROPEAN COMMUNITY THAT ARE IDENTIFIABLE CURRENTLY IN THE INTELLIGENCE INFORMATION ON ACTIVITIES OF IRAQI AGENTS AND OPERATIVES. (INTELLIGENCE AND DOCUMENTS DEVELOPED SINCE JUNE 1990)

* THAT THE DOCUMENTS REQUIRED FOR REDOCUMENTATION OF CRUDE OIL BEING SHIPPED AS IS THE PETROLEUM CRUDE INVOLVED WITH COASTAL BRINGING REDOCUMENTED CRUDE INTO THE U.S. HAS TO HAVE THE SAME COOPERATION BY THE INDIVIDUALS IN FOREIGN COUNTRIES WHO ARRANGE FALSIFIED END USER CERTIFICATES ON MILITARY WEAPONS AND TECHNICAL AND SCIENTIFIC RESOURCES. (THIS HAS BEEN CONFIRMED BY SOURCES WITHIN THE INTERNATIONAL INTELLIGENCE COMMUNITY WHO HAVE PARTICIPATED IN THESE OIL REDOCUMENTATION ACTIVITIES)

PERSONAL CONSEQUENCES AND CONSIDERATIONS

* THE FBI NOT INVESTIGATING THE DOCUMENTED COMPLAINT ON THE THEFT OF OIL IN 1987 RESULTED IN ECONOMIC AND LONG TERM LEGAL DAMAGE TO THE BUSINESS AND PERSONAL LIFE OF ROBERT F. BICKEL, SR.

* THE IMMEDIATE LOSS OF THE REVENUE FROM THE PETROLEUM WAS SIGNIFICANT ENOUGH THAT IRREPARABLE DAMAGE WAS DONE TO THE BUSINESS VENTURE THAT WAS BEING INITIATED.

* THE IMMEDIATE AND LONG TERM EFFECT OF THE THEFT OF THE OIL AND THE REFUSAL OF THE FBI TO INITIATE AN INVESTIGATION RESULTED IN BICKEL BEING CHARGED WITH THEFT OF SERVICES FOR NOT HAVING THE FUNDS TO PAY A HOTEL BILL. FURTHER BICKEL NOT HAVING THE FUNDS TO SECURE ADEQUATE LEGAL COUNCIL WAS FORCED TO ACCEPT A NEGOTIATED PROBATED SENTENCE, THIS HAS HAMPERED HIS PROFESSIONAL AND PERSONAL LIFE SINCE THAT TIME. (COURT RECORDS HARRIS COUNTY, TEXAS)

* THE PROBATION HAS BEEN USED AS AN EFFECTIVE MEANS OF PSYCHOLOGICAL OPERATIONS IN THE DAMAGE CONTROL AFFECTED ON BICKEL TO CONTINUE TO DISCREDIT HIM JUST AS THESE TECHNIQUES HAVE BEEN USED ON OTHER INDIVIDUAL CITIZENS, AGENTS AND OPERATIVES WHO HAVE PERSUED OTHER INVESTIGATIONS OF THE ILLEGAL AND COVERT ACTIVITIES OF

THE INTELLIGENCE COMMUNITY IN SUPPORT OF BLACK OPERATIONS
THAT HAVE BEEN ESTABLISHED AS PART OF THE SECRET POLICY
INITIATIVES OF THE REAGAN AND BUSH ADMINISTRATIONS.
(DOCUMENTATION AND STUDY OF OTHER INSTANCES INVOLVING
INVESTIGATIONS INVOLVING THE ACTIVITIES AND EVENTS OF THE
CENTRAL INTELLIGENCE AGENCY IT'S AGENTS AND OPERATIVES IN
IMPLEMENTING THE SECRET POLICY INITIATIVES OF THE REAGAN
AND BUSH ADMINISTRATIONS)

THE INTELLIGENCE AND DOCUMENTATION THAT SUBSTANTIATES THIS
CHRONOLOGY AND THE FOLLOWING STATEMENTS IS MORE THAN JUST ON
PERSONAL INFORMATION AND BELIEF. SINCE JUNE 1990 I HAVE BEEN
ACTIVELY DEVELOPING THE DOCUMENT TRAIL THROUGH INTELLIGENCE SOURCES
DOMESTICALLY AND IN THE INTERNATIONAL COMMUNITY. WHAT IS DISCUSSED
HERE IS BUT A SMALL PART OF THE BROADER SCALE OF ACTIVITIES AND
EVENTS THAT HAVE SUPPORTED THE CURRENT IRAQI REGIME IN ACQUIRING THE
ABILITY TO ENHANCE IT'S MILITARY CAPABILITY IN AREAS OF ADVANCED
WEAPONRY. THE ACTIVITIES OF COASTAL PETROLEUM AND OSCAR WYATT HAVE
HAD THE SIGNIFICANCE OF FINANCIALLY PROVIDING THE SUPPORT REQUIRED
TO ADVANCE THE IRAQI AGENDA.

These Are The Major Issues To Focus On In The Report
Of ISTAN BARBOUTI'S Relationship With Coastal Petroleum.

A. The Administrations Of Both Regan And Bush
Have Provided Assistance To Iraq Through The
Ongoing Agriculture Loan Program Administered
Through The Commodity Credit Corporation.

1. Cite Reporting On Iraqi Violations
2. Refusal Of Administration Officials To Investigate

B. The State And Commerce Departments Employ Extreme
Measures To Allow Export Of Weapons Technology
And Scientific Resources To Iraq.

1. Cite Examples As Reported By Miller & Mylorie
2. Cite Examples In Unclassified
3. Cite Examples As Reported In Village Voice
4. Cite Possession Of Commerce Dept Papers By Haidar

C. ISTAN BARBOUTI Represented Both Libya And Iraq In
Acquisition Of Technology And Scientific Resources

1. Cite Early Reports On Imhausen
2. Cite Reports From Barbouti Associates
- 3.

D. Coastal Petroleum Corporation Has Actively Purchased
Petroleum From Libya Through A Series Of
Paper Companies Since The Embargo Implemented
By The Regan Administration In 1986. Has Also

PHONE TOLLS

BEEN ACTIVE IN PURCHASE OF PETROLEUM OF IRAQ
UNTIL THE EMBARGO ENACTED AUGUST 1990

E. ISHAM BARBOUTI HAS CLOSE TIES WITH COASTAL PETROLEUM
CORPORATION PROVIDING EXTRAORDINARY ABILITY TO
FINANCE TECHNOLOGY ACTIVITIES.

1. CITE ACTIVITIES OF ED DURHAM
2. CITE ACTIVITIES OF BARBOUTI FINANCED COMPANY
3. CITE STATEMENTS FROM DEPOSITION

F. THE UNLIMITED EXPORT OF TECHNOLOGY TO IRAQ MADE
POSSIBLE BY STATE AND COMMERCE DEPARTMENTS
AND THE COVER AND ILLEGAL ACTIVITIES OF BARBOUTI'S
NETWORK PROVIDE DIRECT ACCESS OF TECHNOLOGY TO
LIBYA.

G. BARBOUTI TIES TO BOTH LIBYA AND IRAQ AS AN AGENT
AND HIS TIES TO COASTAL PETROLEUM CORPORATION
PURCHASING PETROLEUM FROM BOTH COUNTRIES PROVIDE
SIGNIFICANT CAPABILITY TO MOVE FUNDS.

1. CITE BARBOUTI'S NEED AND INTENT TO
"LAUNDER" OIL
2. CITE COASTAL PETROLEUM LAB ANALYSIS

H. CONCLUSION

March 1988 and April 1988. The established tie to Richard Secord was cultivated for Isam Barbouri through his business associate Don Seaton, Vice Chairman of the Louisiana Export Council, this Association has also been documented by individual interviews and confirmation of Mr Seaton's position with the Louisiana Export Council by the Department of Commerce in Washington D.C. Links to the activities and events related to violations of Federal Statutes and codes in the Bankhavro issue are documentable in cross references of BNK Funds Transfer Documents and Barbouri Financial Documents. The Export Council connection through Seaton as a part of the overall support and maintenance of the Iraqi's by Commerce provided strategic and tactical enhancement for the Iraqi Military for a considerable period of time prior to the invasion of Kuwait by Iraq.

In an analysis of telephone tolls of the Barbouri Company Facility at 777 Post Oak, Houston Texas another sequence of activities and events has been determined to have occurred that is significant ~~related to~~ the relationship of the Barbouri Network ~~to the~~ as agents and operatives of the Iraqi Government.

Activities Correlated To Iraqi Invasion Of Kuwait

The BNL Blunder

How U.S. Policy Allowed a Bank in Atlanta to Help Finance Saddam Hussein's War Machine

**A Special Report
Commissioned by the
Simon Wiesenthal Center**

**Prepared by
Kenneth R. Timmerman**

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Citation of this report must be accompanied by
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*"According to a Special Report commissioned by
the Simon Wiesenthal Center from Middle East Defense News (Mednews)"*

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Simon Wiesenthal Center

January, 10 1991

Dear Friend,

Following Iraq's invasion of Kuwait on August 2nd, 1990, the Simon Wiesenthal Center began looking into the question of who empowered Saddam Hussein? Who provided him with the wherewithal to threaten the entire world? How did he upgrade his technology to prepare for what he certainly knew would be a major confrontation with the West? And finally, where did he get his financing following the devastation of the eight year Iran-Iraq war which left his economy in shambles?

Many of these questions are addressed in the Center's two specially commissioned reports by Mideast arms expert, Kenneth Timmerman. The first, The Poison Gas Connection (October, 1990) linked 207 companies from 21 Western nations who provided the weapons and technology of mass destruction to Iraq. This second report, The BNL Blunder (January, 1991) tells how Iraq successfully used an Atlanta branch of an Italian bank to finance its massive armaments and technological procurement program. It details a flawed U.S. policy in dealing with dictators whom we naively assume could be made to change their ways if we cooperate in addressing their needs. In fact, the world would not be at the brink today had our policy makers taken Saddam Hussein at his word when he told foreign journalists in 1974 exactly what he had in mind regarding American companies and their technologies. These were his words:

"We therefore must co-operate and deal with various states and companies to implement any projects in Iraq which may be outside our experience and potentialities or capacity to cover wholly, or beyond our technical capabilities.

In Iraq we now have contracts with American companies and with some from other western countries. We are co-operating with numerous western states and with all the socialist states, without exception. Our national interests decide our dealings with all of them. Sometimes we deal with them on the basis of temporary mutual interest, as is the case with some western and American companies. A contractor comes forward and carries out a certain project for us within a specified period. We agree on the price, the period and the technical specifications; he carries out his obligations; we pay him and settle our obligations and then he departs.

Contents

There is, therefore, no contradiction between our decision to sever diplomatic relations with America and to deal commercially with some American companies on these bases. The presence of these American companies will never open the door to a change in our political programme, but neither will our political position vis-a-vis the United States prevent us from dealing with some American companies on the basis I have just mentioned.

Source: Saddam Hussein on Current Events in Iraq, Longman Group Ltd., 1977.

This special report is being released in the hope that it will contribute to the important debate as the civilized world tries to create policies that will prevent empowering future Saddam Husseins.



Rabbi Marvin Hier
Dean

Contents

Preface

About the Author

Author's Introduction.....1

I. Scandal in Atlanta

- A. A Bungled Investigation.....2
- B. BNL's Reaction.....3
- C. A Banker Gone Astray.....5
- D. The CCC Program.....7
- E. The Italians Get Shy.....9
- F. Failure at the Fed.....12
- G. The Four Protocols.....14
- H. Enter TDG.....17
- I. Where the Money Went.....19
- J. Matrix Churchill, Nasser & Taji.....28

II. Scandal in Washington

- A. The "Tilt" Toward Iraq.....32
- B. The DoC Missile Caper.....33
- C. The Licenses.....35

Conclusion.....37

III. Appendices

- A. The Four Protocols - Loan Agreements Between Iraq and BNL
- B. Churchill Three Nasser Brochure Distributed at Trade Show in Baghdad
- C. Confidential Medium Term Loan Between Iraq and BNL Atlanta
- D. Copy of Internal Audit Report of the BNL Atlanta - June 16, 1989
- E. Superior Court Action Suit Filed in Atlanta by Matrix Churchill
against BNL

The BNL Blunder

F. Copy of Letter of Credit from the BNL - February, 1989

G. Letter of Credit - August 10, 1988

H. Exchange of Correspondence Between Director of FBI and Attorney General
and the Chairman of the House Committee on Banking, Finance and Urban
Affairs

I. Testimony of Paul Dickerson Before the Committee of Banking and Finance

The BNL Blunder

Author's Introduction

On Friday, August 4, 1989, some thirty investigators from the FBI, the Federal Reserve Bank, and other Federal and State agencies descended upon the Atlanta branch of the Banca Nazionale del Lavoro (BNL), to investigate charges that bank officers had made \$3 billion in unauthorized loans to Iraq. In the weeks that followed, a surprising wealth of details emerged on the extent of the banking scandal. It soon became apparent that many of the BNL loans went to finance Iraqi weapons manufacturing projects, and that officials in Washington were aware of the sales.

This background report is based on interviews with some of the participants in the BNL scandal, their lawyers, government investigators, banking sources in Atlanta, and numerous officials in Washington and Baghdad. It also draws heavily on court documents available in Atlanta, Georgia, on BNL's own internal audit of the Atlanta branch, and on the findings of the Italian Senate Commission charged with investigating the BNL affair.

What emerges from this report is that while Washington's policy intended initially to bolster Iraq's defenses against the threat of an Iranian victory in the Gulf War, it ignored repeated warnings that Iraqi leader Saddam Hussein was more intent on building up a massive offensive arsenal than he was on cooperating with (let alone, furthering) American foreign policy goals. From the very start, Saddam Hussein sought to forge the largest and best-equipped fighting force in the Middle East. With Western and Soviet Bloc help he built arms factories to manufacture a whole array of strategic weapons, ballistic missiles, poison gas, and atomic bombs. With these tools, Saddam Hussein hoped to become the dominant player in the region.

This report also shows how willful blindness in Washington helped make Saddam Hussein the threat he has become today, by offering Baghdad cheap grain, weapons technology, and substantial U.S. government credit guarantees to pay for it all.

The BNL Blunder

Investigative journalist Kenneth R. Timmerman is well known in Europe and the U.S. for his work on the Middle East and on black market arms networks. He has written for numerous publications, including Newsweek, the Wall Street Journal, the International Herald Tribune, L'Express, the American Spectator, and has made numerous television appearances (ABC, CBS, CNN, BBC Television, etc.). He has travelled extensively throughout the Middle East, and publishes a newsletter on Middle East security issues, Mednews.

His first book of non-fiction, *Fanning the Flames: An Expose of Greed, Guns, and Geopolitics in the Gulf War*, was serialized by the New York Times Syndication Service in 1987-88 before publication in Switzerland under the title *Ol ins Feuer* in 1988. A second book, devoted to high-tech espionage, was published in France last year by les Editions Plon, under the title *La Grande Fauche (Gorbachev's Technology Wars)*.

Mr. Timmerman is 36 and lives outside Paris.

The BNL Blunder

I. Scandal in Atlanta

A. A Bungled Investigation

As the BNL's Atlanta branch was preparing to close for the weekend on August 4, 1989, some thirty Federal and State investigators burst in and sealed off the premises. A few days earlier, the FBI had been tipped off by a BNL employee that the Atlanta bank was doing a huge illicit business with Iraq, and was hiding its traces by keeping all records of the unreported transactions in top secret files outside the bank's normal ledgers. When investigators gathered the sixteen bank employees then on the premises into the conference room that Friday afternoon, they quizzed them for more than ninety minutes to find out what they knew about the "Gray Book." Who kept it? Where was it kept? What did it contain? How extensive were the bank's "off-book" loans to Iraq? Were they funding Iraqi weapons projects?

While investigators grilled the bank employees up in their luxurious office suite on the 20th floor of Atlanta's Peachtree Center, another team of investigators quietly rang the doorbell of a suburban residence several miles away. The house belonged to Paul Von Wedel, BNL Vice President who was then vacationing at home. Von Wedel was also grilled on what he knew, and he knew a lot. In the ensuing weeks, the U.S. Attorney's office offered Von Wedel a deal, which he reluctantly accepted: they would not pursue criminal charges against him, in exchange for his full cooperation with their investigation.

One employee of BNL Atlanta missed the raid. Without a doubt, he was the most important. He was the Manager of BNL Atlanta, Christopher P. Drogoul. Drogoul was then vacationing with his father in France. Although one of his colleagues called him in Paris over the weekend, warning him of the raid, Drogoul returned to New York on Monday, August 7, where he met with officials at BNL's principal office in the United States. Drogoul's lawyer, Theodore H. Lackland of

The BNL Blunder

Arnall Golden & Gregory in Atlanta, would later point to Drogoul's prompt return as a proof of his innocence. "If Drogoul had been out to defraud the bank, or had taken windfall profits, he would have stayed out of the country."

From the very start, the U.S. Attorney in Atlanta, Robert Barr, insisted that his office should be recognized as the lead agency for the BNL investigation.¹ Despite this apparent interest, however, he turned the case over to an assistant, Gail McKenzie, who had no experience with bank fraud or international finance and little understanding of Iraq's armaments projects.

B. BNL's Reaction

Upon his return to Atlanta from vacation in France, Christopher Drogoul was summarily dismissed by Umberto D'Addossio, a BNL Corporate Vice President, flown in from Rome to launch the bank's far-reaching damage control effort. Drogoul was shocked to suddenly find himself out on the street. "Chris actually thought he was coming back to be manager of the office again," said Paul Von Wedel, his assistant. "When he left the office that day, he looked white as a ghost."²

To prevent a major run on the bank, BNL's top management met over the weekend of August 5-6, 1989, in Rome, and decided to take emergency measures. By the time the banks opened in New York on Monday morning, they had transferred more than \$2 billion of reserves to BNL New York, and blocked all payments from the Atlanta branch office.

After several attempts to reach Iraq's Central Bank by telephone failed, BNL Chairman Nerio Nesi hired a private jet on August 10 and dispatched a BNL Corporate vice president, Salvatore Paolucci, to Baghdad. The Iraqis said they would continue to honor their debt to BNL, but they expected the bank to "make good on a further \$920 million of credit lines that were promised and not yet disbursed."

Full details of what additional credits the Iraqis were referring to have never been disclosed. The current Manager of the BNL branch in Atlanta, Luciano

What was the correlation to other experiences by the banks in the loop?

The BNL Blunder

Alfredo Silvestri, and his lawyers, refused to discuss ongoing contracts. But by December 1989, several hundred million dollars more had been drawn, according to figures presented to the Italian Senate by Treasury Minister Guido Carli.

By August 17, BNL investigators sent from Rome had reconstituted the Atlanta "Gray Book" sufficiently to identify "as many as 2,500 transactions" the Italians claimed had not been authorized by BNL's North American headquarters in New York or by the head office in Rome.⁴ On August 22, BNL suspended an additional nine employees at the Atlanta branch, including Drogoul's second-in-command, Paul Von Wedel.

In Italy, the BNL caper quickly escalated into a full-blown political scandal. Major Italian papers, such as L'Espresso, dubbed it "Iraqgate."⁵ In London, Alan Friedman of the Financial Times reported extensively on the case, and alleged that many of the unauthorized loans to Iraq had gone to fund military purchases, including ballistic missile projects.⁶

While BNL is a state-owned bank, it has close ties to the Italian Socialist Party, and as the scandal thickened back in Rome, so did the accusations of some darker political skullduggery. To cut short these speculations, BNL Chairman, Nerio Nesi, and its' President, Giacomo Pedde, resigned on September 7. But incoming BNL Chairman Giampiero Cantoni was also a prominent member of Italy's Socialist Party. Under his stewardship, the bank has held firm to the line that Rome did not know of Atlanta's sins.

The line didn't wash with Italian Treasury Minister Guido Carli, a Christian Democrat. In testimony before the Italian Senate on December 14, 1989, Carli said that credit requests for Iraq were "routinely" channeled to Atlanta by BNL branches in Italy and by the credits and finance departments of BNL headquarters in Rome. Carli told members of the Senate Finance Committee that he had turned over the names of BNL employees believed to have been involved to the courts in Rome.⁷

By Carli's estimate, BNL Atlanta had made a total of \$2.867 billion in cash outlays on behalf of Iraq that the bank management in Rome claimed it had not authorized. Of that amount, Carli said \$1.017 billion went directly to the Central

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Kelley.

Bank of Iraq (CBI), \$781 million went to its commercial adjunct, the Rafidain Bank of Baghdad, \$520 million was disbursed to cover letters of credit issued by the CBI that were "all or partly utilized," \$49 million was paid in cash to diverse beneficiaries, and \$500 million paid out in "other cash and signed credits to diverse customers and banks."*

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These listings.

The sums were simply enormous. And it all went to Iraq when it needed it most. By late 1986, international financial markets had put a hold order on new loans to Iraq because Baghdad was not meeting the staggering interest payments on its military debt.

It was BNL Atlanta that picked up the slack. BNL Atlanta provided Iraq with fresh cash, without which it could never have made such dramatic progress in expanding its domestic arms industry.

C. A Banker Gone Astray?

BNL filed suit against Drogoul and Von Wedel on October 12, 1989, for fraud, breach of fiduciary duties, and violation of federal and state racketeering laws. As far as Rome was concerned, all blame for current and potential losses stemming from unpaid letters of credit should fall squarely on their shoulders.

* Rome was hoping to preempt a flood-tide of claims against the bank by labeling BNL Atlanta a rogue operation. "The idea that this was a legitimate business operation is just incomprehensible to anyone who knew what happened," said BNL's principal attorney, Walter Driver, of the Atlanta firm King & Spalding.

Even more incomprehensible, for anyone who has tried to untangle the complex relationship between the Atlanta bank and its superiors in New York and Rome, is how \$3 billion in loans could have escaped the attention of BNL corporate management and their auditors - the last of whom gave the Atlanta branch a virtual clean bill of health a scant two months before the scandal broke.

Christopher Drogoul, a New Jersey native, joined BNL in 1981, after an early career with Barclay's Bank in Atlanta. He was present when BNL Atlanta opened for business on May 20, 1982, and was appointed Branch Manager in

The BNL Blunder

1984. Almost as soon as he took the helm, BNL's adventures in Iraq began.

Sources close to Drogoul characterized him as "savvy and aggressive, a *businessman* more than a banker. It's true he took enormous risks. But Chris Drogoul always thought they would benefit the bank."

They say Drogoul initiated contact with Iraqi banking officials in 1984. "Drogoul had heard from Continental Grain that Iraq was a legitimate customer and was paying its debts. He figured it would be a good place to dump U.S. wheat."

By the time Drogoul and his trade financing officer, Paul Von Wedel, went to New York in December 1984 for their first official meeting with the Iraqis, an initial loan agreement was already on the table. According to Von Wedel, who had written a 170-page unpublished manuscript detailing his involvement in BNL's Iraqi business, the two Atlantans met with the Director General of the Central Bank of Iraq in the New York Sheraton, to offer a \$100 million credit line for Iraqi purchases of U.S. grain.¹⁰

Their principal Iraqi contact was Sadik Taha, who presented himself as the Director General of the Central Bank of Iraq (CBI). Taha was accompanied by another banker, Jasim Khalaf, who claimed to represent the Rafidain Bank, Iraq's only commercial bank and a subsidiary of the CBI.

Neither official may have been entirely what he seemed. When Taha was replaced in early 1989 following a heart transplant operation in London, his successor was Raja Ali Hassan, who also doubled as the Secretary General of Iraq's Ministry of Industry and Military Industrialization (MIMI), the principal authority handling Iraqi procurement of weapons and arms manufacturing technology. And when BNL Rome renegotiated the loan agreements with Iraq six months after firing Drogoul, their Iraqi partner was one of the principal operators of Iraq's clandestine technology procurement network, Dr. Fadel Khaddum.

Under Drogoul's stewardship, BNL Atlanta would steadily increase its portfolio of Iraqi loans. BNL would later accuse him of taking kickbacks from a grain trading company in New York, called Entrade, in exchange for easy credit terms for U.S. exporters. But Drogoul's lawyers dismissed the charges as

Drogoul was also
a school classmate of
Al Habibi, named in
BNL indictment

The BNL Blunder

unfounded, and neither BNL nor the U.S. Attorney in Atlanta has yet provided a shred of evidence to back up these claims.

In fact, Drogoul had spotted a fantastic business opportunity, which netted big profits for BNL in a little-known loan program sponsored by the U.S. government. Soon he would have his foot in the door of a potentially gigantic market.

D. The CCC Program

In 1982-83, the financial pressure of waging a major war with Iran and maintaining an ambitious development program (which included the beginnings of its extensive poison gas manufacturing capability) was beginning to put strains on the Iraqi economy. There were food shortages in Baghdad, with items such as meat, butter, and eggs frequently absent from the shelves. Saddam Hussein ordered a drastic cut back in Iraq's consumer goods imports, in order to free up dwindling hard currency earnings to purchase arms and weapons-manufacturing technology. The shortages were a sore point with the Iraqis, as most journalists who traveled to Baghdad at the time will remember.

By 1984-85, the food shortages eased. One reason was that Iraq found a new source of cheap food imports: the United States.

The U.S. Government's Commodity Credit Corporation (CCC) began operating two new export credit programs in the early days of the Reagan Administration, to help promote export sales of American grain. In testimony before the House Banking Committee on October 16, 1990, the General Sales Manager of the CCC, F. Paul Dickerson, explained that the "concept was to develop programs which would permit U.S. agriculture to develop, and establish itself in, new markets." By offering government guarantees, Dickerson explained, the CCC could "attract credit from the private sector to finance sales of U.S. agricultural commodities, rather than having the government provide credit directly."

On paper, it was a good idea. It kept the farmers happy, it kept the bankers happy, and it kept the State Department happy, which was looking for neat ways of

The BNL Blunder

increasing de facto foreign aid without having to dip into its official budget.

This is how it worked. At the beginning of each fiscal year, the Department of Agriculture (USDA) determined which countries would benefit from the CCC guarantees, and established credit guidelines for each. The amounts available per country were released by the Department, broadcast to the trade, so exporters with eligible sales agreements could then apply for a CCC payment guarantee. "The CCC guarantee is a promise to the exporter that CCC will pay the exporter, or its assignee, for the sale in the event that the approved foreign bank should default on its payment obligations under the letter of credit," Dickerson explained. In other words, if for some reason the buyer refused to pay - because it had invaded a neighboring country, for instance - the U.S. government was legally obligated to pick up the tab.

The CCC ran two programs of this type, which the bureaucrats called General Sales Manager (GSM) 102 and GSM 103. They respectively provided credit guarantees for three or seven year loans. For banks seeking to finance these exports, the program was a virtual give away. The U.S. government guaranteed 98% of the total price, excepting freight.¹¹ In other words, a bank such as BNL Atlanta could loan \$100 million to American exporters at 1/4 percent over the inter-bank rate in London (around 10%), and run a total accrued risk of less than 2%. In reality, the banking risk was even less.

The GSM102 loan guarantees to Iraq were among the first issued under this program. They began in 1983, "when the United States and Iraq were working to re-establish diplomatic relations," Dickerson explained.¹²

The CCC guarantees to Iraq totaled \$364 million that first year. By 1988, Iraq was taking the lion's share of those credits - nearly 20%, or \$1.1 billion. From 1983 until the invasion of Kuwait, the U.S. government guaranteed a total of \$5 billion of Iraqi food purchases. Of this total, Iraq had repaid nearly \$3 billion by August 2, 1990. This left a \$1.9 billion bill for the U.S. taxpayer...and significant profits for eleven U.S.-based banks, including the BNL Atlanta.¹³

In his Congressional testimony, Mr. Dickerson acknowledged that news

The BNL Blunder

Tie These Methods AND
Procedures To Cover
Front Operations Under
The Agriculture Dept
Such As "Screwdown"

Coordinate To Print
Out For Other Countries
Tied To Arms Network

How Much debt by Other
Countries has been
Proposed to be
"Forgiven" Related
to the Coalition In
The Gulf?

reports about Iraq's use of poison gas against its own Kurdish population and of other human rights abuses by the Iraqi regime had no effect on the loan guarantees. The CCC program "did not include any consideration of human rights," he said. "It was strictly market driven."

E. The Italians Get Shy

The CCC loan guarantees were a golden opportunity for an aggressive businessman like Chris Drogoul.

According to his former associate, Paul Von Wedel, the first \$100 million credit BNL Atlanta offered Sadik Taha in December 1984 was soon followed by more. And Rome appeared to back the new loan policy fully. When Drogoul went to New York in mid-1985 for the BNL annual North American Managers meeting, he discussed the CCC program with the head of BNL's International Department, Mr. Florio. "Florio agreed that Chris "would finance the entire CCC program for 1986," Von Wedel writes. "This would amount to about \$600 million, with the exposure to Lavoro of only \$12 million (as CCC guarantees 98%)."

Without a doubt, the CCC loans were good business. And though BNL still maintains it did not authorize the loans to Iraq, in recent testimony before the U.S. Congress, bank officials insisted they "were not illegal or in any way inconsistent with the policy of the United States."¹⁴

In the fall of 1985, Drogoul and Von Wedel were invited to Washington for further discussions with a visiting Iraqi delegation, led by Ghanin Aziz. The U.S. Wheat Board threw a reception for the Iraqi buyers, where Drogoul and Von Wedel made lucrative business contacts. It was the first of many Washington bashes hosted in the Iraqis' honor by U.S. grain exporters over the next four years. Iraq was a new market, and a good one, for U.S. grain.

By early 1986, BNL Atlanta was doing some \$600 million in CCC loans for Iraq. Although Drogoul had discussed BNL's CCC business with his superiors in New York and Rome, he had not yet secured their written approval to go beyond the \$100 million ceiling BNL had placed on CCC guaranteed loans to Iraq. In

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The Known Skimming
Methods and Procedures
CANNOT BE OMITTED
FROM THE LOOP.

Correlate the
Involvement of other
Banks on Listing.

March, he asked his credit manager, Raffaello Galiano, to telex Rome for approval. The answer soon came in. It was no.

"BNL is not a bank," sources close to Drogoul said, describing the understanding the bank officer had of the BNL's role. "It is a source of Italian government financing." The sources went on to explain that BNL's refusal to approve the CCC loans in 1986 was directly linked to a deepening dispute between the Italian and Iraqi governments over a \$2.65 billion naval contract. It signed in 1981 with Italy's Cantieri Navale Riunti to supply Iraq with four Lupo class frigates, 6 corvettes, an oiler, and a floating dock.

This shows that even when BNL's commitments to Iraq were restricted to seemingly innocuous grain sales, there was already a weapons angle.

By 1986, most of the warships had been built, and the Italian government sought to deliver them. Some of them made steam for Alexandria, Egypt with Italian crews. Others headed for Tunis. But the Iraqis knew they would have to fight their way through the Iranian-controlled Straits of Hormuz to get the warships home, and they had no desire to put their new high-tech frigates at risk. So they chose to stall for time, insisting that the Italians adhere to the initial terms of the contract, which called for delivery at Um Qasr, Iraq's only port on the Gulf. As long as the ships had not steamed into Um Qasr, the Iraqis argued, they could not commission them. And until the ships were commissioned, they refused to pay. In the meantime, the Italian government was forced to pick up the tab.¹⁵

"The controversy over the Lupo contract had the effect of shrinking Italian credits for Iraq," said Atlanta banking journalist Kenneth Cline. To intensify pressure on the Iraqis to pay their debts, in 1986 the Italian government slapped an embargo on delivery of the remaining ships. Some of the corvettes have never left Italy to this day.

The Italian embargo left Christopher Drogoul out on a limb. He had loaned hundreds of millions of BNL money to Iraq, thinking he had Rome's approval, and now the Italian government had decided to block all new loans to Iraq in an effort to pressure Baghdad into paying its debts.

The BNL Blunder

OPERATION
GLADIO
AGAIN.

BNL's lawyers don't dispute these facts. "After 1984," said Attorney Walter Driver, "commercial banks were quoting 15-25% interest rates for loans to Iraq. Iraq was considered a bad risk. Only government-sponsored loans could have worked. Iraq just couldn't get the money elsewhere." His opinion of Iraq's creditworthiness was confirmed in numerous interviews with international bankers and commodity traders in Paris, London, New York, and Geneva.

Here's how Chris Drogoul's assistant, Paul Von Wedel, described what happened next:

"In about two weeks time, we received notice from Rome that our loans to Iraq exceeded approvals by about \$500 million. We tried to sell off as many as we could. Central Bank of Cooperatives [in Denver] bought some but they were restricted only to sales made with co-op grains. That is when Jean (probably Jean Ivey, a BNL Atlanta lending officer) and Mela (probably Mela Maggi, BNL Atlanta's money market) had the idea of a "Gray Book." So within one week's time we reduced our loan portfolio of three-year loans by \$500 million, with no questions asked by our head office in Rome, the New York regional management or the Federal Reserve Bank. Funny, no? Funny, yes!"⁶

Drogoul insists Rome knew all along what they were doing. His lawyers point to a February 20, 1988 article in the Middle East Economic Digest, which gave a clear picture of the predominant role of BNL Atlanta in financing Iraqi grain and commodity purchases in the U.S. Rome "couldn't have failed to notice" the February 1988 article, they say. It was so explicit that Drogoul and his associates "gaspd" when it appeared, expecting the ax to fall. When nothing happened, they all breathed easier. They concluded that Rome knew, and had approved; especially since the CCC business with Iraq was so profitable.¹⁷

The negotiations leaked to MEED actually occurred between February 14 and mid-November 1987, when Sadik Taha returned to Washington, D.C., along with Hikmat Ithar, the General Manager of Rafidain Bank's International Division and other Iraqi officials, to put together the financing package. On November 18, the Iraqi Ambassador to Washington, Nizar Hamdoon, hosted a dinner for the bankers

The BNL Blunder

Very Important
To Extending The
Operation Into Other
Banks Than BNL
With U.S. Government
Knowledge.

Not Copy of
Article.

Timing Ties To
Petroleum Cause Oil
Laundering

that was attended by Mel Simms and Walter Sterns from the Department of Agriculture's Commodity Credit Corporation. The agreement cobbled together included \$650 million in GSM102 credits, \$53 million in seven-year loans, and an additional \$25 million to cover freight.

The U.S. government not only participated in the Iraqi loan negotiations-it gave them its blessing and changed the rules on its GSM102 and GSM103 programs in 1987 so Iraq could also use them to finance the exorbitant freight costs occasioned by the Gulf war. According to Von Wedel, Simms told Taha to come back to Washington before the 1988 presidential elections to set up the 1989 CCC program, "because he was afraid that after the elections the Israeli lobby would be too strong for the Iraqis to get any money."

Sources close to Drogoul say that his principal motivation was to bring in new business that would expand BNL's client base in the U.S. Among the major portfolios Drogoul remembers bringing to the bank through this scheme were Mobil Oil, Dunavant, Universal Leaf Tobacco Co., J.I. Miller, W.A. Adams & Co, Dibrill Bros., Entrade, RD&D, Nestle SA, Dow Chemical, Upjohn, Pacific Exports & Foodline, RJR Nabisco, and Georgia Pacific.

Most, if not all, were selling to Iraq.

F. Failure at the Fed

The BNL "Gray Book" was not really a bank ledger, in the traditional sense. Instead, it was a series of hard copy "chit" sheets to track the movements of off-book letters of credit for Iraq. Whenever money was paid out, a chit went into a box. Whenever money was received, another chit was made out. The ledgers themselves were kept on a personal computer, which were moved in and out of the BNL office. But former BNL employees say there were also cardboard boxes full of hard copy print-outs.

When auditors from the Georgia Banking and Finance Commission or from BNL New York came to examine the Atlanta branch, the "Gray Books" may have been physically removed from the premises. But some records were kept in BNL

The BNL Blunder

Atlanta files and were simply missed by the auditors. A copy of the last BNL internal audit made available to this investigation showed that the bank never sought to trace a single deal from beginning to end, nor did it query BNL Atlanta loan officers about the possibility of other business. The auditors were content to examine the accounts that were presented them, and never asked for additional documents.

Queries put to the Federal Reserve in Atlanta and to the Georgia Banking & Finance Commission produced similar results. Although BNL showed on-books business with Iraq's Rafidain Bank, none of these transactions were ever examined. Furthermore, at any given time, BNL's Atlanta branch would have \$700 million to \$1 billion outstanding in short-term credits with the Morgan Guaranty Trust in New York, which cleared all its Iraqi business. This should have sounded alarm bells in Atlanta, in New York, and in Washington, since the bank had a maximum credit line of \$300 million. But neither the Fed nor the State of Georgia noticed a thing. Regulators were asleep at the helm.

Officials at the Fed office in Atlanta quietly acknowledge the lack of scrutiny. "Letters of credit are off-balance sheet items, so they are never included even in the best of times in Federal Reserve statistics," one official said. "Besides," he added, "They are a fairly arcane financial instrument, and not well known here in Atlanta."

The official position, however, was quite different. "This was a situation that involved massive fraud in which a large number of employees acted together to conceal the operation and deceive auditors and examiners," the House Banking Committee was told. There was no way the Fed could have detected the illicit activities, especially "when a number of people within an organization conspire to 'cook the books.'"

Incredibly, a Fed Vice President, H. Terry Smith, told the House Banking Committee that the Fed "conducted its first examination of BNL Atlanta as of August 4, 1989." Before then, the Fed had "relied on the examinations of BNL Atlanta's primary regulator, the State of Georgia, Department of Banking and Finance." Smith could identify \$3.065 billion in outstanding loans and

The BNL Blunder

Doesn't Wash
Atlanta Is A Very
Sophisticated Banking
Center.

commitments to Iraq, but insisted that "only \$67 million of this amount had been reported to the Federal Reserve."²⁰

The Federal Reserve keeps an Annual Report of Assets and Liabilities of U.S. Branches and Agencies of Foreign Banks, based on mandatory declarations by the reporting banks. The summaries alone stretch across thirteen full-size computer print-out sheets. An examination of these Federal Reserve records show that BNL Atlanta assets averaged \$760 million throughout the 1986-1989 period.²¹ Some 97% of these assets were in the form of outstanding loans.

These figures alone made BNL one of the top four foreign banks in Georgia. If that wasn't enough to warrant more scrutiny from the Fed and from the Georgian Banking and Finance Commission, then the doubling of BNL's loan portfolio from 1984 through 1986 should have been.²²

And the real bottom line was *even more* dramatic than these "cooked" figures submitted by BNL. When BNL's off-book loans to Iraq were put back onto the ledgers, the Atlanta bank's assets jumped from \$785,694,000 in 1989, to \$2,342,286,000 in 1990, making the Banca Nazionale del Lavoro far and away the largest foreign bank in Georgia.

Check Correlation
To Other Listed Banks

G. The Four Protocols

Drogoul negotiated four "secret" loan agreements with Iraq above and beyond BNL's lucrative grain business with the Iraqis. It was these loans that helped finance industrial and perhaps military projects.

The four protocols totalled at least \$2.1 billion.²³ Sources close to Drogoul put the sum slightly higher, and break the aggregate amounts of BNL Atlanta loans to Iraq as follows:

- CCC loans: \$808 million
- 1st Protocol: \$200 million
- 2nd Protocol: \$340 million
- 3rd Protocol: \$800 million
- 4th Protocol: \$1.115 million

The BNL Blunder

This accounting, which totals \$3.263 billion, approximates the figures provided by Italy's Finance Minister Carli, since Carli was tallying monies *actually spent by the Iraqis*, which he calculated at \$2.867 billion. That leaves \$396 million in funds pledged by BNL which the bank blocked before the Iraqis could get around to spending them.²⁴

Contradicts Versions
of Drogoul Statements in
Press Accounts.

Drogoul was convinced the industrial purchases financed by these medium-term loan (MTL) agreements were all part of Iraq's reconstruction program. "At no point did Drogoul think he was financing Iraq's military build-up," Drogoul's lawyers said.

This may well be so. Drogoul was certainly less equipped than other traders to see through Iraqi subterfuge. He had never specialized in defense or technology sales. And he was dealing, at least at times, with professional intelligence agents.

Much of this has
been reported in the
European Press as
Early as 1984

The pattern of disguising purchases of strategic technology behind seemingly innocent civilian projects only emerged to the public eye in March 1990, when U.S. and British Customs blocked a sale of nuclear "krytron" switches to Iraq. Before then, only specialized publications such as Middle East Defense News in Paris, Middle East Markets in London, and to a lesser extent Jane's Defense Weekly and the Middle East Economic Digest, had tracked the growth of Iraq's arm industry. Drogoul lacked the intimate knowledge of the Iraqi regime and its military appetites which defense marketing executives in France and Italy had accumulated; and *even they* underestimated Iraq's determination to build an indigenous arms industry based on Western technology. European defense contractors were taken in again and again by Iraq's successful use of scare tactics and compartmentalization to cover their projects with a blanket of secrecy.

Throughout the five years when Drogoul ran the Atlanta branch of the BNL, Iraq was considered a legitimate customer, even a sometimes ally, of the United States. In his discussions with U.S. and Iraqi officials, Drogoul never heard anything to suggest otherwise²⁵. All the evidence available so far suggests that he was taken in by a top secret, top priority program run by Iraqi intelligence.

The BNL Blunder

But were the protocols as secret as all that? BNL insists they were. And yet, this investigation managed to come across as least two of these texts in just a matter of weeks.²⁶ Surely others must have had them in hand long before.

It is virtually impossible to negotiate a major loan agreement without involving a wide range of people and institutions. On the Iraqi side, the Central Bank, the Rafidain Bank, the Ministry of Trade, the Ministry of Finance and the Ministry of Industry and Military Industrialization all took part in the negotiations. On the lender's side, BNL called on the New York money market to borrow the \$700 million-\$1 billion per year in stand-by credits the Iraqi business required, and cleared funds paid out in favor of the Iraqi projects with the Morgan Guaranty Trust Company.

Furthermore, on at least two occasions BNL branch banks in Europe referred industrial letters of credit for Iraq to Atlanta. Von Wedel claims that the head office in Rome even consulted Atlanta on payment of a \$14 million credit for the Italian steelmaker Danieli, which was constructing a steel mill in Iraq believed to be part of the Taji weapons complex.²⁷

There were other traces of the "secret" negotiations as well, not the least of which were left by the Iraqis themselves. Official Iraqi delegations travelled to the United States on at least eight separate occasions to negotiate with BNL. Each trip required numerous visa applications, and included meetings with representatives of top U.S. industrial companies and U.S. government agencies. BNL officers travelled to Baghdad on at least three occasions, and made more than a dozen trips out of their circumscribed loan territory (the American Southeast) on official bank business relating to Iraq.

In February and March 1989, Christopher Drogoul began flying to London on weekends to work on the Iraqi projects with Fadel Khaddum, an alleged intelligence agent and a director of numerous Iraqi front companies. Primary among these was the Technology and Development Group (TDG), a key player in the procurement of Western ballistic missile technology. Even if Drogoul used a special "slush fund" to cover his travel expenses, as some allege, he was nevertheless obliged to account for his time to his superiors at BNL New York and Rome.

The BNL Blunder

Given all these traces, it is simply inconceivable that the four protocols could have remained a secret to anyone in the U.S. government or within the BNL corporate hierarchy seriously interested in their discovery.

BNL tacitly admitted that it knew and approved Atlanta's loans on January 20, 1990, when it renegotiated the loans with Iraq in the wake of the scandal. Not only did it accept Iraqi demands to honor previous commitments made by Atlanta, BNL now agreed to provide an additional \$150 million in cash to finance down payments on future contracts with Italian suppliers "totalling not less than U.S. \$1,000 million." This meant that Iraq intended to shift part of its technology procurement effort to Italy.

The chief officer signing the January 1990 agreement was Fadel Khaddum, who is one of the chief officers of Iraq's Ministry of Industry and Military Industrialization."

H. Enter TDG

On February 17, 1988, Drogoul and his assistant, Paul Von Wedel, flew to Baghdad, where they were met by Sadik Taha of the Central Bank of Iraq. They were whisked through Customs and into a VIP lounge of Saddam International Airport while a "public relations" officer from the bank, whom Von Wedel suspected of working for Iraqi intelligence, cleared their baggage and got their passports stamped. When they arrived at the government-run Rashid Hotel in Baghdad, a marble palace with listening devices in most rooms, Taha told them to get some sleep. They would have a busy day ahead of them, he said, working out "the contract agreement."

"What agreements?" Von Wedel asked, surprised. He then recalls that Drogoul took him aside and promised to explain once Taha left.

Drogoul then admitted that he had given Taha a letter of commitment for \$200 million during negotiations in Washington that October. By this letter, which Drogoul and Von Wedel signed in Baghdad on February 22, 1988, BNL Atlanta offered Iraq a medium-term loan to finance industrial purchases for the Badush

The BNL Blunder

Ties To Operation
Gladio Again

Dam on the Tigris River north of Mosul. It was billed as a "reconstruction" project, even though the war with Iran had yet to reach its final phase and Iraq had fared poorly during the fighting the year before.³⁰ Repayment was scheduled over five years.

Neither this \$200 million loan protocol nor the three additional agreements signed over the next year and a half were approved in writing by BNL Rome. Both Drogoul and Von Wedel insist, however, that Rome knew of their activities.

During the February 1988 trip, they ran into one of their superiors from BNL's International Lending Department in Rome, Teodoro Monaco. Monaco was in charge of the BNL Middle East desk, and expressed surprise to see the two Atlantans in the lobby of the Rashid Hotel. He was accompanied by a BNL technical loan officer, and an official from the Italian Department of Commerce. Drogoul says today he discussed the true purpose of his visit to Baghdad with Ted Monaco. BNL says this is not so.

The second protocol was signed on Oct 6, 1988. This time, the Iraqis came to Atlanta. Sadik Taha, who was under medical treatment in the U.S. for a serious heart ailment, was accompanied by Raja Hassan Ali, who gradually replaced him as the principal liaison with the Atlantans. Besides working for the Central Bank, he said he was General Director of Iraq's Ministry of Industry.³¹ The full name of this Ministry is virtually unknown in the West. It was the Ministry of Industry and Military Industrialization—MIMI for short. It was run by Saddam Hussein's increasingly powerful son-in-law, Hussein Kamil Hassan al-Majid.³²

Shortly after signing the 2nd MTL, Drogoul travelled to London to meet with Sadik Taha, who was in the hospital awaiting a donor heart. It appears he also met with officers of an Iraqi front company, the Technology & Development Group (TDG), whose involvement in Iraqi weapons schemes has come to light in recent months.³³ The most spectacular procurement effort led by TDG was to obtain parts for the "Super-Gun" designed by the Canadian-American ballistics genius, Gerald Bull. (Bull was gunned down outside his apartment near Brussels on March 22, 1990). On the TDG board was Fadel Khaddum. Both Khaddum and TDG would become major players in the BNL blunder.

The BNL Blunder

Potential Correlations
To Meetings With Libby
Barbieri.

Correlates To Southern
Brokers International
Activities w/ Iraq.

In December 1988, Drogoul signed the third protocol - apparently without telling anyone else at the BNL Atlanta branch. This time, Sadik Taha was replaced by Raja Hassan Ali from MIMI and a new man from the Central Bank, known only as "Toma." They travelled quietly to Atlanta for the signature, when key bank personnel were apparently absent.

By this point, it was clear that BNL's principal business in Iraq was no longer in grain.

The fourth protocol was by far the largest - \$1.155 billion - and it was the most mysterious of them all. BNL documents show that it was signed on April 8, 1989, just before Drogoul and Von Wedel travelled again to Baghdad. But Von Wedel claims he knew nothing about it, even though most of the money was disbursed by the time the scandal erupted four months later.

I. Where the Money Went

Check Correlation
To Fico Fausing
Transcripts

The money loaned by BNL under the four non-CCC protocols went to finance industrial projects. Among these were the Badush Dam, a vehicle assembly plant, several machine-tool plants, and a chemicals plant.

But the idea that the four protocols financed four specific projects "is ludicrous," according to BNL lawyer, Walter Driver. "There was no specific logic to these agreements. It was a grab-bag, whatever Iraq could throw in. It wasn't four showboxes, but a pile of documents—some of them real, some of them forged. There were conveyor belts for the dam, color televisions from Japan, air conditioners for the Iraqi Ministry of Finance, you name it."

One U.S. company, Lummus Crest, was "building an entire chemicals plant," Driver said, at a new Iraqi petrochemicals complex dubbed "PC2." The deal was worth \$53,827,776 for the Bloomfield, New Jersey firm. According to documents filed at the Federal Court House in Atlanta, it was signed in two segments, on July 31, 1988 and on January 19, 1989.

In an interview in Baghdad in May 1989, the head of Iraq's chemical industry, Lt. General Amer Hamoudi al Saadi, pointed with pride to PC2. "This plant will be

Also Correlates To
SBI Activities w/
Iraqi Agents.

The BNL Blunder

thirteen times bigger than PC1," Iraq's first petrochemicals complex, started in the mid-1970s near Basra, but never completed because of the war. PC2 was located around 70 km southwest of Baghdad, along the natural gas-feeder line coming up from the southern oil fields, and was expected to cost "several billion dollars." Al Saadi was particularly proud that U.S., Japanese, Italian, British, and French companies had signed onto the project. Bechtel was the main contractor, he said, while Lummus Crest, BP, and Technip all had major shares.³⁴

What portion of PC2 was devoted to the production of chemical weapons or military propellants is not really known. But al Saadi also headed Iraq's ballistic missile and chemical weapons programs, and was a past master at building "dual use" facilities. For example, a phosphates plant at Al Qaim contained a uranium/liquefaction line. Insecticide plants at Samarra and al-Falluja had been converted to make poison gas. Since 1987, every industrial facility in the Republic of Iraq has come under the control of the Ministry of Industry and Military Industrialization. What the military needs, it takes. Whatever is left over goes for civilian use.³⁵

At least one of the PC2 suppliers that was financed by BNL loans - Lummus Crest - was later fingered by Italy's Finance Minister for having received \$30 million in "potentially arms-related payments."³⁶ Lummus Marketing Director, Charles Kemps, told the Wall Street Journal in October 1989 that the Lummus project in Iraq, "is continuing," adding, "We have a tremendous relationship with our client," with whom Lummus Crest had been doing business "for fourteen years."³⁷ Kemps identified that client as the Technical Corps for Special Projects, a.k.a. Techcorps, a procurement office for Iraq's arms industry.

Lummus Crest is a subsidiary of Combustion Engineering Inc. of Stamford, Conn. In the PC1 complex near Basra it set up a production unit to make ethylene. Besides perfectly legitimate applications in the petrochemicals industry, ethylene is one of the principal precursor chemicals needed to make mustard gas, and can also be used to make rocket fuel.

There can be little doubt that the four industrial protocols were structured to fit Iraqi needs. They were compartmentalized, and their overall contours carefully disguised. While BNL officers had extensive knowledge of the specific contracts

The BNL Blunder

There are at least
121 identified Agency
contacts on Richard
Harpoll

Very Important!
Direct Correlation
To Response Written To
Ken on Dual Use &
Technology Transfer

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*This Also Contributes
To The Use Of The Export
Enhancement
Program Through
The Commerce Dept
Don Seaton, Richard
Secord, ET AL.*

they were financing, they were never given a specific project and told to go out and find appropriate suppliers. "The Iraqis told BNL what was to go into each envelope," sources close to Drogoul said. "Drogoul didn't select the companies—the Iraqis did."

The step-by-step increase in the amounts of the loans suggests that the Iraqis were testing BNL as a new source of funds. If the first loan worked, they tried a second. When the second worked, they tried a third, and so on. The \$200 million provided by the first protocol was not enough to finance all the equipment necessary for a major dam. It was enough, however, to get started; and it was more than enough to see whether BNL could be relied upon to put up funds without asking too many questions.

In August 1988, an Iraqi Central Bank director, Dr. Rasheed, and the head of the Badush Dam Project, Zuhair Abbas, met with BNL officers in Washington in the offices of Iraq's Commercial Attache, to discuss purchases of U.S.-manufactured heavy earth-moving equipment for the Dam.

Documents made available by sources in Geneva suggest that the deal never went through in time to receive BNL funds. Instead, in November 1989, a 53-year old Egyptian-born businessman named Hassan Ibrahim approached intermediaries in Switzerland and Germany, to assist him in putting together a \$100 million financial package for a deal involving many of the same suppliers. His company, Sitico, was now the purchaser, and he presented a Central Bank of Iraq letter of credit similar to those used by BNL. By the time Sitico began negotiating the purchases however, the Badush Dam was nearing completion. Suspensions arose that the purchases were actually intended for the Iraqi Army Corps of Engineers, a large, experienced body that showed during the Iran-Iraq war it could create monumental earthworks and water diversions virtually overnight. Following the invasion of Kuwait, the Corps of Engineers, using U.S.-supplied caterpillar earthmovers and other heavy equipment, built extensive battleworks along the Kuwait-Saudi border to prevent an attack.

Of the 2,500 letters of credit issued by BNL Atlanta, only a few have come to light, making it extremely difficult to evaluate the real extent of BNL's contribution

*Run Corporate Records
on Sitico.*

*Copies of LC's ARE
With Dennis Kame
House Banking Comm.*

The BNL Blunder

to the Iraqi arms industry. The list has been compiled – and it is being kept secret – by BNL, by the Italian government, and by the U.S. Attorney. As this report was being written, none of these sources had responded positively to requests by the House Banking Committee, or by the Italian Senate, to make the list of BNL loans available. On the contrary, the U.S. Justice Department and the FBI attempted to impede the U.S. Congressional investigation, on grounds that it might prove damaging to “national security.” In Italy, BNL has been far from helpful up until now.

So far, information on the following companies financed by BNL has become available through independent sources. Few appear to have been directly involved in weapons manufacturing. But most were engaged on potentially “dual-use” projects, and many deliveries were made to identifiable weapons-manufacturing sites via Iraqi government entities known as procurement offices for the national defense industry.

Conversion of
Centrifugal Molding
Allows Casting of
Bomb Casings

- Centrifugal Casting Machine Co. of Tulsa, Oklahoma. ABC News reported on August 25, 1990, that this small manufacturer of cast-iron pipe had signed a \$26.3 million contract with Iraq, ostensibly to build a plant capable of making sewer pipe (BNL credit advice 11758). Company directors claimed there was “no dual use possible.” In its export license request to the U.S. Department of Commerce, the equipment was listed as PRH Ductile Pipe casting machinery, while the Iraqi purchaser was the Badr General Establishment. What the license request didn’t say was that the Badr General Establishment is one of the largest manufacturers of cast-iron bombs for the Iraqi Air Force. The Centrifugal plant appears to have been set up within the al Iskandariyah military- industrial complex, 18 miles south of Baghdad on the road to Babylon. It may have been diverted to manufacture huge gun barrel segments of the kind required for Iraq’s “Babylon” Project (Gerald Bull’s ballistic cannon). This \$27 million contract was nearly five times the normal yearly turnover for Centrifugal Casting.

- Danieli & Co. Officine Meccaniche di Budrio, a steelmaker in Udine, Italy, shipped an entire steel rolling mill worth \$47 million. The deal was financed by

The BNL Blunder

BNL Atlanta, at the specific request of the BNL head office in Rome. Press accounts in Italy and West Germany say the Danieli plant could have military applications. The plant was set up in the Taji weapons complex outside Baghdad, known in Iraq as the Nasser Establishment for Mechanical Industries. For reasons which have yet to be explained, most of the credits for this February 1989 deal were paid out in Deutschmarks. The Iraqi purchaser was the State Enterprise for Iron and Steel.³⁸

• Foodline, of Atlanta Georgia, had long funded its CCC exports to Iraq through BNL. According to Former BNL Vice President, Paul Von Wedel, Foodline approached BNL in April 1989 to finance a deal set up by Peter Stambuk of Foodline's London subsidiary, Pacific Export Company, to build a satellite tracking and communications system for the Iraqi Ministry of Defense. Von Wedel claims he refused the offer. Pacific Export had planned to get the sophisticated electronics system built by COMTEK in Florida, Von Wedel says. It was not known whether Foodline found other financing for this project, or whether it went through.

• General Industrial Diamond, Co., a New Jersey toolmaker was one of thirty suppliers to XYZ Options (q.v.) of Tuscaloosa, Alabama, which built a BNL financed tungsten-carbide machine-tool plant in Iraq.

• Hertel AG of West Germany is suing BNL for non-payment of \$2 million worth of machine-tools it shipped to Iraq's State Machinery Trade Company, as part of a larger contract.³⁹

• Labell Chemicals, a New York State firm, supplied chemicals in the spring of 1989. Lawyers for Labell said the company was concerned by press reports that its products could be used for chemical weapons production, and sought special clearance from the Department of Commerce to make the sale. The DoC approved.

• Lummus Crest, and their parent company, Combustion Engineering (see page 19).

• Mannesmann Handel, Mannesmann AG, and Mannesmann Demag-Hutten-technik of West Germany were involved in several BNL-financed deals identified by Italy's Finance Minister Carli as "potentially weapons-related." At least

The BNL Blunder

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COMPANIES OF BARBOUR
SUPPLIERS FOR BARBOUR

two separate contracts were involved, one for \$21 million, and a second for \$3 million. On May 15, 1990, German Customs seized 17 containers en route to Iraq's Ministry of Industry from Mannesmann in Frankfurt. Some of the crates bore markings from a Mannesmann AG subsidiary, Brueninghaus Hydraulic GmbH. The contents were identified as casting equipment (allegedly to make gun barrels) for the Taji military complex, north of Baghdad. This factory had separate industrial units to forge gun barrels and parts for Gerald Bull's "Ballistic cannon," and has also been cited as a possible site for a uranium enrichment gas centrifuge facility.

• Matrix Churchill Ltd. of Coventry, England, a British machine-tool manufacturer was bought out by Iraqi-controlled front companies in 1987, and played a key role in procurements of machine-tools and related equipment for Iraqi defense plants. It sued BNL to recover \$70 million in unpaid credits. Matrix Churchill will be discussed in a separate section below.

• Mesta International, apparently a British company which specialized in turnkey projects to build steel smelting and forging plants was bought out by a firm in mainland China. Von Wedel details discussions with two Mesta representatives that took place in the TDG offices in London on February 22, 1989. According to his account, the company was seeking BNL financing for a \$650 million project in Iraq.

• Modern Machinery Associates—Court documents filed with Federal Court in Atlanta show that this Alabama machine-tool company was a subcontractor to XYZ Options for the \$14 million carbide-tipped machine-tool plant it built near Baghdad.

• Moore Special Tool, of Bridgeport, Conn., had been contracted by XYZ Options to supply a computer-controlled jig-grinder for use in the carbide-tipped machine-tool plant. The jig-grinder was essential to allow the Iraqis to manufacture their own precision tungsten-carbon tools, freeing them from future export controls.⁴¹

• Potain SA, a French construction equipment manufacturer that supplied heavy construction cranes, ostensibly for the Badush Dam. These portable cranes could conceivably be used to load damaged tanks onto transporters on the battlefield, or for manufacturing purposes. In documents filed with U.S. Federal

The BNL Blunder

Activities Considered
To Procurement by
Barbousi For RABTA 2

Very Important!
Potential
Shipments of Equip
From Palo Verde Nuclear
Group. Greenberg File

Court in Atlanta, Potain lists the purchaser as the Technical Engineering Corporation, and the State Machinery Trading Company of Iraq. But on BNL's Credit Advice No. 11885, issued on February 13, 1989 for 42 million Ffrs (around \$7.5 million), the purchaser is listed as the "Al Fao State Establishment." This was a company set up under MIMI auspices to centralize purchases for Iraq's military aerospace industry. By 1990, MIMI intended to begin assembly of an advanced military jet trainer - either the British Hawk or the Franco-German Alphajet. These plans were widely known as the Fao Project, or Saad 25. ⁴²

• Pratt & Whitney-Documents filed with Fulton County Superior Court show that Pratt & Whitney Inc., also shipped equipment for the tungsten-carbide machine-tool plant in Iraq. One unspecified delivery to XYZ Options on November 30, 1989, was worth \$474,109 (BNL Credit Advice No. 20187).

• Rotec Industries, of Elmhurst, Illinois, was providing \$11 million worth of machine tools for unidentified "industrial facilities." This deal was on Italian Finance Minister Carli's short list of contracts having potential military significance. ⁴³

• Servaas Industries, of Indianapolis, Indiana, built an \$8 million plant to separate copper from brass, as part of the Iraqi effort to recycle its spent shell casings. Eyewitnesses say this plant was located east of Baghdad in Ameriya, not far from an Iraqi missile plant at al-Falluja, and was part of a huge weapons facility protected by numerous anti-aircraft guns and earth shields at either end, "to protect it from skip bombing." Iraq was hoping to recycle some 70 million tons of spent artillery shells, by repacking them with explosives or melting them down into copper wire.

• SMS Hasenclever, a West German subsidiary of the M.A.N. group built a hydraulics forging plant, with BNL financing, at the Nasser Industrial complex, 40 kilometers north of Baghdad. This plant has been identified in the German press as the "Taji Complex" (a.k.a. "Project 3127," and the "Babylon Project"). In fact, the Nasser complex appears to have included at least three separate weapons manufacturing projects. A steel mill and forging center, where gigantic gun barrel forges and hydraulic presses manufactured barrel segments for Gerald Bull's 154

The BNL Blunder

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To Alfico R. Dankle-Fax

meter-long ballistic cannon; a major machine-tool manufacturing plant, stocked with Matrix Churchill machines; and a uranium enrichment plant, using German and Brazilian-supplied gas centrifuges.⁴⁴ Sources at the German Bundstag have identified "more than twenty" German firms that contributed to this military-industrial manufacturing center. A major share of this project was financed by BNL via the letters of credit it issued in favor of Hassenclever, Matrix Churchill, Mannesmann, and Danieli.

• Technology and Development Group (TDG), of London, was the principal Iraqi front company used to organize the massive industrial procurement effort. Two board members, Dr. Safa Habobi, and Dr. Fadel Khaddum, were constantly in touch with Drogoul and Von Wedel of the BNL. TDG's role was featured in a BBC Panorama broadcast on September 9, 1990.

• Thyssen Rheinstahl Technik, of West Germany, formed a joint venture with Lummus Crest, as part of the PC1 petrochemicals project. The \$7 million deal was financed by BNL.⁴⁵

• XYZ Options – Little is known about this small, Tuscaloosa, Alabama company. When its President, William Muscarella, first called BNL Atlanta to finance a tungsten-carbide machine-tool plant he had contracted to build in Iraq, he received a cool reception. "I'm always impressed with people who have to give their titles," recalled Paul Von Wedel, who took the call. "If they worked for or owned a good company they wouldn't have to say who they are or what they are."

In an affidavit submitted to U.S. Federal Court in Atlanta, XYZ's Vice President, Richard W. Kendrick, explained that his company had signed a \$14 million contract with Iraq's Machinery Trade Company on June 12, 1988, "to furnish the architectural services to construct three interconnected factory buildings, and to furnish the machinery, equipment, and machine tools to be installed within those buildings, all of which will comprise the factory for manufacturing carbide tools." The Iraqis told XYZ that BNL would do the financing, and despite Von Wedel's initial reluctance, BNL confirmed Central Bank of Iraq credit number 88/3/2407 for the full amount (BNL advice No. 20187) in August 1988.

The troubles began later. As BNL and XYZ began slugging it out in court (in

The BNL Blunder

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Relation To
Anthony Kendrick
Houston, Tex.

the wake of the scandal, BNL froze payments), odd details about the Alabama-based company began to emerge. In one document filed by BNL lawyers, they allege that XYZ, was a start-up company with absolutely no prior experience in international commerce or finance; that XYZ was somehow introduced to the possibility of participating in a major construction project in Iraq through an unsolicited telecopy from a company - Matrix Churchill Corp. - it had allegedly never heard of, which was managed and controlled by Iraqi Nationals; that XYZ agreed to pay Matrix Churchill a "finders fee of \$1.4 million if XYZ secured the contract...and that the United States Department of Commerce has refused, to date, to issue an export license for one of the pieces of machinery that XYZ wishes to export because of the potential for use of the equipment in manufacturing arms and the inability of the Department to confirm the bona fide nature of the alleged importer."

Issues Connected
To This Circumstance
Raises Potential For
Connections Thru
Agency And Chicago

While the relations between Matrix Churchill and XYZ Options were never further elucidated upon the image that emerges from the court documents and from Finance Minister Carli's testimony before the Italian Senate, is that XYZ served as a "cut-out" for procurements actually organized by Matrix Churchill, which itself served as a "cut-out" for the Iraqis.

In addition to these 27 companies, whose aggregate BNL-financed sales to Iraq totalled \$876.3 million, thirteen more companies received BNL financing, although at the time of this report, we do not know exactly what equipment they actually supplied to Iraq:

- ALAX (Italy)
- Biwater (UK)
- CTIP (Italy), a supplier to XYZ Options
- Dow Chemical
- Dresser Construction (USA)
- Icom (Italy)
- Innse Innocenti, one of Italy's largest and most sophisticated machine-tool manufacturers
- Mes (Italy)

The BNL Blunder

- Necchi Commpressori (Italy)

- Oman (Italy)

- RD&D (USA)

- Techno Export (USA)

- Upjohn

- In addition, Iraq and General Motors negotiated to build a one billion dollar automotive assembly plant in early 1989. Those plans however, were later cancelled.

J. Matrix Churchill, Nasser, & Taji

Little distinguished Matrix Churchill Ltd. from a dozen other British machine-tool manufacturers, until one day in 1987 when an Iraqi trading group, TMG Engineering, bought out the company for \$9 million, and installed its own men in the driver's seat.⁴⁸

The Iraqis who became directors of Matrix Churchill included Dr. Safa Jawad al-Habobi, Hana Paulus Jon, Adnan al-Almiri, and Fadel Jawad Khaddum. They

had purchased the British tool-maker for one purpose – to give the government of Saddam Hussein a sure supply of manufacturing technology for the rapid expansion of Iraq's defense industry.

Matrix Churchill had been losing money before the Iraqi buy-out. According to the Middle East Economic Digest, the first major Iraqi order was placed almost immediately after TMG Engineering bought the company. It was a \$31.5 million purchase of 150 computer-driven lathes, enough to equip a very large armaments factory.⁴⁹ Matrix Churchill posted its first pre-tax profit in ten years in fiscal 1988, thanks to its growing business in Iraq.

The Iraqis were operating through a complex series of front companies that included TMG Engineering, the Technology & Development Group (TDG), and the Baghdad-based Al-Arabi Trading Company. None of them could be traced directly to the Iraqi government, and the new owners of Matrix Churchill were careful to

The BNL Blunder

disguise their true affiliation. In a statement to the Financial Times in 1989, Fadel Khaddum insisted that the Iraqi Directors of Matrix Churchill (of which he was one), "have nothing to do with the Government of Iraq or the authorities in Iraq."³⁰ But as we saw above, when he renegotiated the BNL loans in January 1990, Khaddum identified himself as a legal advisor to two Iraqi ministries.

BNL's Christopher Drogoul first met Fadel Khaddum and Dr. Safa Habobi in October 1988, when he flew to London accompanied by his principal contact at the Central Bank of Iraq, Sadik Taha. Besides his role as a shadow board member of Matrix Churchill, Dr. Safa managed TDG. As Drogoul and Von Wedel would discover during their April 1989 trip to Iraq, Dr. Safa had proved so brilliant in his previous job as head of the Nasser industrial complex, that Hussein Kamil decided to send him to London to set up TDG. Von Wedel recalls Drogoul explaining that the Iraqis wanted their own trading company "because they were tired of being ripped off all the time."³¹ But TDG's real job was to serve as a front for Iraqi government purchases of dual-use technology, and of companies manufacturing particularly sensitive weapons-related technology.

In 1989, for instance, TDG attempted to purchase the Learfan factory in Belfast, Northern Ireland. Learfan manufactured carbon-carbon fibers essential for making ballistic missile nose cones, an item whose export was forbidden to Iraq.

The Iraqi ploy was remarkably sophisticated. Instead of buying Learfan directly, they had TDG buy a controlling interest of another UK company, Canira Technical Corporation, and then had Canira attempt to purchase the Learfan plant. The Iraqis clearly hoped to thus secure an uncontrollable supply of critical missile technologies. But the British authorities saw through the ploy and blocked the deal.³²

TDG was not to be put off. In June 1990, they succeeded in a similar deal, buying 18% of a Swiss firm, Schmeidermechanica, which specializes in precision forging of high-tech components. One shipment of "automotive gears" from Schmeidermechanica was intercepted by German customs on its way to Iraq in August. According to press accounts, the equipment was made of a special "maraging" steel, and was intended for gas ultracentrifuges installed at the Taji

Tony Haroin now
Represents Swiss
Investment Bankers

The BNL Blunder

Carbon-Carbon
Technology had
Already been Acquired
By Egypt. See
Notes in Chronology

Correlates To
Activities by Tony
Haroin and Southern
Brokers International.
Tony has Background
in Specialty Metals.

Corresponds To Automotive
Procurements by Baghdad
See Telephone Tolls.

complex as part of Iraq's nuclear weapons program.³³

TDG was also financing purchases for Gerald Bull's Space Research Corporation (SRC), as part of Iraq's attempt to develop a ballistic cannon capable of hurling nuclear warheads at targets more than 1000 km away.³⁴ Meanwhile, Christopher Drogoul spent more and more time in London consulting with Dr. Safa and Fadel Khaddum. The two Iraqis would accompany the BNL bankers on their next trip to Iraq in April 1989.

Exactly how much BNL money went to finance TDG, SRC, and Matrix Churchill (which had a U.S. subsidiary, located in Cleveland, Ohio), is not yet known. But when BNL and Fadel Khaddum renegotiated the loan package in January 1990, they detailed more than \$70 million in Matrix Churchill contracts with Iraq then outstanding.

Matrix Churchill lawyers Kenneth L. Millwood, John L. Latham, and Joe D. Whitley (who now serves as U.S. Attorney in Atlanta), filed Civil Action No. D73692 with Fulton County Superior Court on December 27, 1989 to recover payments they claimed were due Matrix Churchill Ltd. for three contracts:

1) In 1988, Matrix Churchill signed the "ABA" contract with the Nasser Establishment for Mechanical Industries, identified by the lawyers as "an agency of the Republic of Iraq," to supply Vertical spindle CNC Machining centers and other machinery materials and services, worth 8,950,000 pounds sterling. CNC (computerized numerical control) machine-tools are the most sophisticated that exist, and are the backbone of any armaments industry. Their export is tightly controlled. In Britain, export licenses must be obtained from the Department of Trade and Industry. In the U.S., licenses are granted by the Department of Commerce. By law, the Pentagon's Defense Technology Security Agency (DTSA) is required to review cases involving technology considered essential for the defense industry.

2) On June 28, 1988, Matrix Churchill entered a further contract with Nasser, to provide machine kits, parts and services, worth 3,430,480 pounds sterling (Central Bank of Iraq Letter of Credit No. 88/3/3897).

3) On May 4, 1989, Matrix Churchill entered into a contract to supply

The BNL Blunder

equipment and services for a hot forge die plant at Al Taji, Iraq, for 81 million DM.

Matrix Churchill was a major exhibitor, and showed a wide range of computer-driven three-axis machine tools for the defense industry. For the purposes of the show, product brochures were passed out with the Matrix Churchill name and address covered over with self-adhesive labels identifying the company as "Nasser," and giving a post office box in Taji.

Matrix Churchill officials complained during interviews with the BBC that their machines were not intended specifically for Iraq's defense industry. But Dr. Christopher Cowley, an engineer who visited the Nasser (Taji) plant in 1988-89 when he worked for Gerald Bull's Space Research Corporation, rejected these denials. "On the machine tools that Matrix Churchill were installing," he told a BBC Panorama interviewer, "they [the Iraqis] were manufacturing 155 and 130 mm artillery shells."³⁵

Iraqi armaments engineers in interviews conducted during the Baghdad Arms Show expressed satisfaction with the progress in their homegrown machine-tool industry, and singled out Matrix Churchill as their principal cooperation partner. "We already have 5-axis CNC machines," they said, "and next year we will get our first hot forging presses." This was undoubtedly a reference to the third Matrix Churchill contract mentioned above.

Defense analysts in Washington speculated that Iraq would use these Hot Isostatic presses "to machine depleted uranium into penetrators" for anti-tank warheads, or for manufacturing missile nose cones or rocket nozzles. The Iraqis also noted the help they had received from a West German machine-tool manufacturer, Waldrich Siegen, a member of the Ingersol group.

How much did the BNL bankers know? How much did they suspect? In his interview with the BBC, Paul Von Wedel acknowledges that Iraq's Minister of Industry and Military Industrialization, Hussein Kamil, was their principal contact in Baghdad. "He arranged our schedule for us. Where we went. What we saw. And most of the people that we did meet."³⁶

* * Von Wedel describes a tour of Nasser/Taji industrial complex. He was accompanied by Dr. Safa and Fadel Khaddum of TDG. During the tour, he

The BNL Blunder

Check For
EXACT DATE.
SRC has CIA,
MOSSAD, Military
Background

Correlates To
Activities Out of
Oklahoma. Ref
Terry Reed

remarked at the abundance of sophisticated computers and computer-driven machine-tools organized into a design center, a steel mill, a hydraulic forging plant, a bomb plant, and a machine-tool manufacturing plant that was stocked with some 75 Matrix Churchill machine-tools. He also remarked that there were other facilities they were not allowed to see.

If Von Wedel and Drogoul had had any doubts as to the military nature of the projects they were financing up until then, their May 1989 visit to the Taji bomb plant should have dispelled them once and for all.

II. Scandal in Washington

A. The 'Tilt' Toward Iraq

U.S. policy toward the Gulf was thrown out of kilter as a result of 1979 Iranian Revolution, and it has never recovered since. With the loss of Iran, and the humiliating hostage crisis in Tehran, the State Department began to explore openings to Iraq. By mid-1980, Washington, always looking for ways to make friends, had already begun to see Saddam Hussein as a potential counterweight to the Ayatollah Khomeini.

*** How far did the U.S. "tilt" toward Iraq go, at this, its earliest stage? Iranian exiles claim that the U.S. gave Saddam a "green light" for his September 1980 invasion of Iran, and provide details to back up their claims.⁷ At least one coup attempt against Khomeini was plotted in Baghdad, the exiles say. And far from condemning the Iraqi invasion of Iran - let alone rounding up an international posse to roll back Iraqi troops, the U.S. quietly nodded as Saddam crossed the border into Iran.

By the time the U.S. renewed diplomatic ties to Iraq in November 1984, the "tilt" toward Iraq had been consummated. The general view of American diplomats in Baghdad was, "We might not like all the particulars of the regime, but it sure beats the Ayatollah."

The BNL Blunder

U.S. government-backed grain sales to Iraq quietly increased to more than \$1 billion a year. And at the heart of these sales was the Atlanta branch of the BNL.

Shortly after the renewal of diplomatic relations, the U.S. government began offering Iraq some of its best protected high technology secrets.

In 1986, Bob Woodward reported in the Washington Post that Iraq was receiving information on Iranian troop movements that had been gathered by U.S. Intelligence satellites. Other sources reported that the U.S. had agreed to provide Baghdad with a real time computerized down-link from the U.S.- controlled AWACs spy planes based in Saudi Arabia. This gave the Iraqis valuable information on Iranian air activities, and undoubtedly played a role in rendering the Iranian Air Force totally useless by the end of the war.

The "tilt" continued through Saddam Hussein's horrendous gassing of Iraqi Kurds in Halabja in March 1988. While the U.S. protested, it did little to curb strategic exports to Iraq. Indeed, the record points in the other direction.

B. The DoC Missile Caper

One of the most shocking episodes of U.S.-Iraqi cooperation involves a long series of export licenses approved by the United States Department of Commerce, for sophisticated high-tech equipment that went directly to Iraq's ballistic missile, chemical weapons, and nuclear programs.

The most egregious case involves licenses for equipment that was shipped directly to Saad 16, Iraq's principal ballistic missile and nuclear research facility.

- On May 9, 1985, a German firm requested export of a U.S. televideo graphics display to Saad 16. The case was approved without condition.

- On July 5, 1985, an American firm sought to export electronic equipment to Saad 16, including a 100 Hz spectrum analyzer, network analyzer, five 18 GHz electronic counters, and six 275 MHz oscilloscopes. The case was approved without condition.

- On September 3, 1985, an American firm sought to export a hybrid electronic computer system for use in the complex. The case was suspended, but apparently approved later on by DoC without further notification.

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*Digitized Chip
Application From
SBI List*

*High Energy
Physics Lab Equipment
From SBI List*

• On December 26, 1985, an American company sought to export a 10 MHz-40 GHz scalar network analyzer system to Saad 16. The case was approved without condition.

In a February 27, 1985 letter sent to the Commerce Department to accompany the first license requests, the Director of the Saad General Establishment, M.B. Namody, provided a detailed description of Saad 16. The new R&D center would contain 76 labs and workshops, which he then proceeded to enumerate. Most of the labs dealt with fields applicable to missile and chemical weapons research, such as fuel production, vibration and friction effects, the stability of mixtures, aerodynamics, turbo machines, microwaves, etc.

The Commerce Department apparently believed that ballistic missile research by Iraq in 1985 was an admirable pursuit. But the Defense Department disagreed. Following its review of these same license requests, the Pentagon recommended that eight of them be rejected on national security grounds.

Feuding between the Pentagon and the DoC went all the way to the White House. In 1986, the NSC issued a National Security Directive stipulating that the Pentagon should be "more forthcoming on Iraq," and listed specific cases where the Pentagon's technology security unit, DTSA, had "obstructed" exports deemed to be in line with U.S. policy.

Despite the April 16, 1987 signature of the Missile Technology Control Regime, touted by the Reagan Administration as a major breakthrough in multi-lateral export controls, additional licenses for Saad 16 were approved later on. Neither the Reagan nor the Bush Administration has ever explained this apparent flagrant contradiction between international treaty obligations and high-tech exports to Iraq. Among the items approved were these:

- On June 3, 1987, a U.S. company requested permission to export a 19.9 Mbit computer system to Saad 16 "for process control and data evaluation." The case was approved without conditions.
- On April 28, 1988, an American firm tried to export linear microcircuits to the University of Mosul. The case was approved without conditions.
- On April 7, 1987, the West German firm Gildemeister, applied for a license

The BNL Blunder

Application For
Communication And
Phased Array Antenna
Equipment on SBT
List. Also Ties To
TK7 Corp and Prop
Technologies.

Very Important!
Directly Relates To Iraq
Segment of Southern
Brokers List For Iraqi
Procurement And The
Called Off Investigation
In 1988. Houston,
S.W. Region, Customs

to export a U.S.-made microfilm system to Saad 16. The case was approved without conditions.

Information made available by the Commerce Department showed that between 1986-1990, 400 export license requests for Iraq were approved – 77 were turned down.

This was no trickle of technology reaching Iraq. It was a veritable flood tide, And all of it was carefully targeted by Iraq's strategic military planners. They didn't go after what they didn't need. Instead, they mounted a consistent, well-organized assault on America's high-tech fortress, rivaling that orchestrated by the Soviet Military Industrial Commission, or VPK, during the 1970s and 1980s.

C. The Licenses

Documents made available to this report detailed many of the 400 Department of Commerce licenses granted for exports to Iraq:

- Quartz crystals for use in electronic pagers, transmitters, and encoders previously supplied to a customer in Baghdad, identified as the Technical Consulting Company.
- Unidentified equipment to the Nasser Establishment for Mechanical Industries.
- Supply of computers and electronics to the Iraqi Atomic Energy Commission, "for use with existing equipment for gamma-gamma conciliation."
- On April 14, 1988 the sale of "Bacteria, fungi, protozoa for scientific research" was approved.
- A New Jersey high-tech manufacturer hesitated to meet an Iraqi request for high-temperature "skull furnaces," for fear they could be used in a nuclear weapons program to shape zirconium. The Commerce Department approved the sale nevertheless. It was blocked en route in July 1990.
- \$8 million shipment of military aircraft engines, for Iraqi helicopters and PC-9 turboprop training and close support aircraft.
- A \$400,000 sale of computers to Iraq's Scientific Research Council, to

The BNL Blunder

study "earthquake risk."

- Electronics to the Electronics Industries Company, SA.
- A \$122,488 sale of specialized film used for photographic reconnaissance ("topographical survey").
- A \$29,150 sale to the Saad General Establishment of a radio spectrum analyzer, for maintaining communications radar equipment.
- Parallel analog processors, televideo graphics displays for Saad 16, and a hybrid analog-digital computer.
- A \$100,000 pilot-training simulator, for motion sickness and disorientation.
- A \$661,875 sale of computing equipment and electronics for "isotopic abundances and radio elements," to Iraq's Ministry of Heavy Industry.
- The largest single Iraqi purchase of U.S. equipment was for \$491,062,500 worth of commercial utility cargo trucks "to transport heavy cargo and building logistics support items." The declared purchaser of this April 21, 1988 DoC license was the Iraqi Ministry of Defense.
- Atmospheric studies equipment (necessary for ballistic missile launch).
- A \$367,828 sale of computerized numerical controllers to drive industrial machine tools, "to produce tools and jigs for plastic injection molding, metal forming dies. The purchaser of this April 28, 1988 contract was Iraq's Ministry of Industry and Military Industrialization.
- A \$191,130 contract for integrated circuits and electronics equipment "for grain storage." This company also co-developed a hybrid analog-digital computer which was then exported to West Germany for the Saad 16 complex.
- Personal computer valued at \$2,000 for the Iraqi Atomic Energy Commission, as well as multiple deliveries of electronic voltage regulators, computers, and signal analysis equipment to Saad 16.
- An initial sale of imaging technology and a hybrid computer for the Saad 16 complex was blocked by DTSA in 1986, but was approved by DoC in February 1990.
- Compasses, gyroscopes, and accelerometers for the Iraqi Air Force.
- A \$888,000 numerically-controlled vacuum system, to the Nasser [sic]

Cooperates To
Barbours Activities
With Canadian Companies
Re Telephone Tolls.

Missile Tracking
AND Target Acquisition
Application.

The BNL Blunder

Establishment for Mechanical Industries. Declared end-use for this approved sale:

"General military applications, such as jet engine repair, rocket cases, etc."

- A \$145,750 sale of multi-channel transmission equipment and manufacturing process.
- A \$1 million sale of computer equipment, including PDP 11/84 systems for PC1 control of degassing and water injection.
- Equipment to monitor effluent release.
- Avionics spare parts and subassemblies for Iraq's French-built Gazelle anti-tank helicopters. Declared end-user: Ministry of Defense, Baghdad.
- Computer equipment to the Huteen armaments factory.
- Test equipment for air traffic control at Basra airport.
- Computer graphic terminals for Saad 16 missile R&D center; radio spectrum analyzers.
- Electronics assemblies and integrated circuits for calibration instruments, supplied to the Ministry of Higher Education.
- A \$500,000 computer data base system, ostensibly for payroll and retirement benefits of Ministry of Defense staff, ostensibly for the payroll and retirement benefits of the Ministry of Defense staff.
- A scaler network analyzer system, electronic test and measuring equipment for the flight-test laboratory of Saad 16.
- Photographic equipment, and a plasma system for computer mapping. End-user: the Iraqi Ministry of Defense.

*Check For
Correlation To Penins
Software.*

Conclusion

The Banca Nazionale del Lavoro was not the only bank to have financed Iraq, but its loans came on stream at a time when Iraq needed them the most. Much of the \$2 billion in industrial credits provided by the Atlanta branch appear to have financed dual-use projects, some of them obviously weapons-oriented. But until now, the exact use of the BNL funds has not been disclosed.

Since Saddam Hussein assumed the full reins of power in 1979, he has fought a major war with Iran, combatted an ongoing insurgency by Iraqi Kurds,

The BNL Blunder

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Check for
Correlation To Paris
Software.

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Since Saddam Hussein assumed the full reins of power in 1979, he has fought a major war with Iran, combatted an ongoing insurgency by Iraqi Kurds,

The BNL Blunder

*Correlates To
Barbary Manages
Activities In Libya*

and built an estimated eighteen major weapons manufacturing centers from the ground up. It is an impressive record in many respects. At the very least, it shows how absolutely determined the Iraqi leader has been from the start to acquire weapons of mass destruction and the means to manufacture them free of embargoes.

While there can be no doubt that the details of the Iraqi armament effort eluded most observers for years, Iraq's strategic weapons programs have long been a subject of concern within successive administrations in Washington. Despite this, and despite clear warnings of how Iraq would use the fruits of this technology on the battlefields of the Middle East, the Commerce Department continued to license high-technology exports to Iraq, apparently with the blessings of the State Department and the NSC.

The real lesson of the BNL affair may well be in Washington, more than Atlanta. It is the scandal of how the United States Government defeated its own stated policy of limiting the proliferation of weapons of mass destruction, by helping Iraq build up its indigenous armaments industry, and all of it under the cover of a strategic "tilt" toward Iraq.

Finally, the BNL scandal shows that the proliferation of weapons of mass destruction must be taken as a whole, whereas up until now the U.S. government bureaucracy has preferred to split it into smaller, more "manageable" segments. Not only must the different technologies be regrouped into a single Proliferation (or Non-Proliferation) Agency, but export financing needs also to be more closely scrutinized.

Editor's Note:

This special report has been compiled from open sources and from primary sources in interviews by the author with government officials, industry executives and members of the intelligence community. Only open sources have been disclosed in these references.

The BNL Blunder

¹ Other agencies with a stake in the BNL case were the Federal Reserve, the Georgia Commission for Banking and Finance, the FBI, IRS, and the U.S. Customs Service.

² Interview with Kenneth Cline, "Scandal in Atlanta: Secret Loans to Iraq," in the American Banker, August 8, 1990.

³ Alan Friedman, "BNL works round clock to contain crisis", Financial Times, Sept 12, 1989.

⁴ "Italy's Banca Nazionale Says U.S. Unit Involved in Iraq Letter-of-Credit Scandal," Wall Street Journal, Aug 30, 1989.

⁵ "Ecco come e nato l'Irakgate: Fatti e misfatti di Drogoul," L'Espresso, Dec 16, 1989

⁶ "Iraqi military shopping list was financed by credits from BNL," Financial Times, Sept 20, 1989: "BNL affair underlines West's fear over technology transfer," FT, Sept 16, 1989.

⁷ Alan Friedman, "Carli says BNL's Rome headquarters involved in scandal," FT, Dec 15, 1989.

⁸ Alan Friedman, "Confusion remains on BNL loans," FT Dec 16, 1989 as checked against a transcript of Carli testimony made available to the author by the Italian Finance Committee. In testimony before the House Banking Committee on Oct 16, 1990, H. Terry Smith, a Senior Vice President of the Federal Reserve Bank in Atlanta, gave a similar breakdown. "Our examination revealed a total of \$1.865 billion in loans outstanding to Iraq and an additional \$1.2 billion in commitments to lend to the Central Bank of Iraq. Only \$67 million of this amount had been reported to the Federal Reserve. BNL Atlanta had failed to report \$1 billion in outstanding loans to the CBI, \$800 million in outstanding loans to Rafidain Bank of Iraq and \$1.2 billion in commitments to lend to the CBI. BNL Atlanta also failed to report \$1.8 billion in monies borrowed in the world money markets to support its concealed loans."

⁹ Banking sources in Atlanta calculated that BNL could lose as much as \$66 million in lost fees by the end of 1990, not as the result of the "rogue" loans, but because of the August 2, 1990 U.S. trade embargo on Iraq. Until August 2, these sources said, and BNL lawyers grudgingly confirmed, Iraq has never missed an interest payment on any of the BNL loans. Nevertheless, a half-dozen companies filed claims against BNL for non-payment of letters of credit guaranteed by the Atlanta branch.

¹⁰ An excellent resume of Von Wedel's account appeared in The American Banker and its sister publication, Southern Banker, on August 8, 1990. Kenneth Cline, "Scandal in Atlanta: Secret Loans to Iraq. Former Officer of Banca Nazionale del Lavoro Tells the Inside Story."

¹¹ BNL Atlanta got around the restriction on freight costs, which for Iraq were high, and got them included into the CCC guarantees, reducing its "exposure" even further.

¹² Diplomatic relations with Iraq were re-established after a seventeen year break in November 1984.

¹³ BNL holds \$347 million of these receivables, and must be paid by the USDA in accordance with U.S. law. Testimony of F. Paul Dickerson, Associate Administrator, Foreign Agricultural Service & General Sales Manager, Commodity Credit Corporation before the Committee on Banking and Finance, U.S. House of Representatives, October 16, 1990. A draft of Mr. Dickerson's prepared testimony was made available by the USDA.

¹⁴ Testimony of Pietro Lombardi, Executive Vice President and Regional Manager for North America of Banca Nazionale del Lavoro, before the House Committee on Banking, Finance and Urban Affairs, Oct 16, 1990.

¹⁵ Iraq made an initial down payment estimated at \$441 million when it ordered the ships, but no more. Cf. Jacques de Lestapis, Military Powers Encyclopedia: The Arab League States, Volume 4, Paris, 1989, p. 45.

¹⁶ Paul Von Wedel, "From the Gates of Babylon to the Gates of Hell," unpublished account, p. 16.

¹⁷ John Roberts, "Iraq: more banks brought in for U.S. commodity finance." MEED 20 February, 1988. "In 1986," the article said, "Iraq used only two banks, the Banca Nazionale del Lavoro branch in Atlanta Georgia and the Central Cooperative Bank of Denver. In 1987, the financing was done by BNL. This year, after failing to secure single-bank financing, the Iraqis have had to work hard to raise the bulk of the finance required, and interest rates have been raised."

¹⁸ In an interview with The American Banker (Oct 25, 1989), Mr. Simms acknowledged that BNL Atlanta "did help make the CCC program in Iraq more successful than if they had not been present," although Simms claimed he "could not recall" having ever met Drogoul.

¹⁹ Prepared statement of William Taylor, Staff Director, Division of Banking Supervision and Regulation, Board of Governors of the Federal Reserve System, before the House Committee on Banking, Finance and Urban Affairs, Oct 16, 1990.

²⁰ Written answers to questions submitted by the House Banking Committee, Oct 16, 1990, by H. Terry Smith, Senior Vice President, Federal Reserve Bank of Atlanta.

The BNL Blunder



APPENDIX H

Office of the Attorney General

Washington, D.C. 20530

September 26, 1990

The Honorable Henry B. Gonzalez
Chairman
Committee on Banking, Finance,
and Urban Affairs
U.S. House of Representatives
Washington, D.C. 20515

Dear Mr. Chairman:

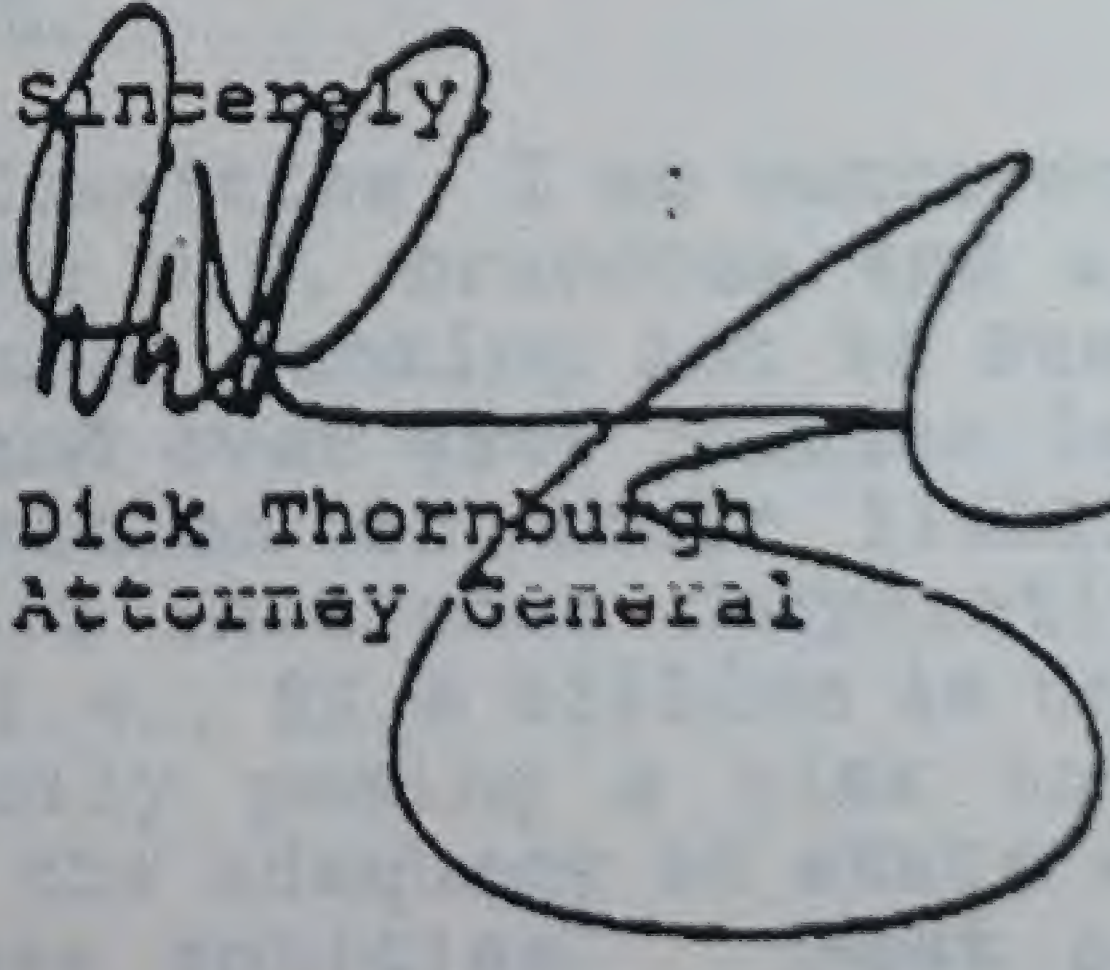
The purpose of this letter is to express my profound disappointment in your decision to ignore the strong objections of this Department in the Banca Nazionale del Lavoro (BNL) matter. I am similarly distressed by your refusal last evening to discuss the matter with me.

Your intention to schedule a hearing for October 9th on the investigation of unauthorized loans to Iraq by BNL and the request to interview both the Assistant United States Attorney and the government witnesses in the case raises the prospect that culpable parties will elude prosecution. Your staff is fully aware of the existence of our ongoing criminal investigation and the likely impact that these actions will produce on our efforts.

As you should be aware, this is a sensitive case with national security concerns. The United States Attorney in Atlanta advises me that both witness security and the willingness of witnesses to continue to cooperate with the investigation and prosecutions will be jeopardized by your Congressional staff interviews and hearing.

Mr. Chairman, a decision to proceed with these interviews and the hearing at this time significantly diminishes the Department's ability to successfully prosecute this matter. Accordingly, we again request that your staff work with the Department to find alternatives that allow both the legislative and the law enforcement processes to function.

Sincerely,


Dick Thornburgh
Attorney General

STEPHEN L. NEAL, NORTH CAROLINA
 CATHY HUBBARD, KENTUCKY
 JIM J. LAFRANCE, NEW YORK
 JIM ROSE, ILLINOIS
 JIM J. VERTY, MINNESOTA
 BOB BARNARD, ALABAMA
 ROBERT CARL, NEW YORK
 CHARLES E. SCHUMER, NEW YORK
 BARRY FRANK, MASSACHUSETTS
 RICHARD H. JENKINS, CALIFORNIA
 BRUCE A. MCKENNA, CONNECTICUT
 MARY KAPLAN, OHIO
 BEN EDWARDS, ALABAMA
 THOMAS R. CARPER, DELAWARE
 ESTHER EDWARDS, TEXAS
 GERALD B. RUDOLPH, WISCONSIN
 PAUL HILSON, FLORIDA
 PAUL E. CARROLL, PENNSYLVANIA
 ELIZABETH J. FLETCHER, SOUTH CAROLINA
 THOMAS M. MILLER, MARYLAND
 JOSEPH P. KENNEDY, MASSACHUSETTS
 FLOYD H. PLATT, NEW YORK
 EDWIN E. MURPHY, MARYLAND
 DAVID E. PRICE, NORTH CAROLINA
 VANCE P. FLOS, CALIFORNIA
 JIM WIDEMANN, WASHINGTON
 PETER HODGSON, NEBRASKA
 RICHARD E. NEAL, MASSACHUSETTS

U.S. HOUSE OF REPRESENTATIVES
 COMMITTEE ON BANKING, FINANCE AND URBAN AFFAIRS
 ONE HUNDRED FIRST CONGRESS
 2128 RAYBURN HOUSE OFFICE BUILDING
 WASHINGTON, DC 20515

BILL MCCOLLUM, FLORIDA
 MARK ROSENTHAL, NEW JERSEY
 BOB BARNARD, ALABAMA
 JIM J. LAFRANCE, NEW YORK
 JIM ROSE, ILLINOIS
 JIM J. VERTY, MINNESOTA
 BOB BARNARD, ALABAMA
 ROBERT CARL, NEW YORK
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 VANCE P. FLOS, CALIFORNIA
 JIM WIDEMANN, WASHINGTON
 PETER HODGSON, NEBRASKA
 RICHARD E. NEAL, MASSACHUSETTS

DDH 226-4347

September 28, 1990

Honorable Richard L. Thornburgh
 Attorney General
 Washington, D.C. 20530

Dear Mr. Attorney General:

The purpose of this letter is to respond to your letter of September 26, 1990, and to express my distress over your apparent lack of understanding of the investigative and legislative functions of the Congress.

On September 21, 1990, I agreed to allow my staff to meet with your staff to discuss the Justice Department's concerns related to the Banking Committee's investigation of the Atlanta Agency of Banca Nazionale Del Lavoro (BNL). During, and subsequent to this meeting, your staff was unable to comply with my request for specific justification for suspending this most important inquiry.

Specifically, the Justice Department failed to reveal how interviewing employees from the Federal Reserve Board, the Federal Reserve Bank of Atlanta, the Department of Banking and Finance of the State of Georgia, and current and former employees of BNL would, as your letter states, "significantly diminish the Justice Department's ability to successfully prosecute this matter." In addition, the Justice Department failed to demonstrate how the Banking Committee's investigation would jeopardize the personal security of witnesses or inhibit their cooperating with the Justice Department's investigation of BNL.

As Chairman of the Banking Committee, I am concerned that the regulation and examination of the U.S. branches and agencies of foreign banks (see the International Banking Act 92 Stat. 607) is inadequate. These entities command over \$500 billion in assets in the U.S., and a significant portion of their liabilities are guaranteed by the Federal Deposit Insurance Corporation (FDIC). The magnitude of the BNL fiasco (i.e., \$2.8 billion in unauthorized loans to Iraq), while not directly posing a risk to the FDIC, certainly raises the question of the adequacy of state and federal regulation and oversight of these entities. Rest assured, in

order to ensure the U.S. branches and agencies of foreign banks do not pose an undue risk to the already beleaguered FDIC, the Banking Committee will continue to investigate the adequacy of the regulation and examination of these entities. The BNL case provides a clear case of a regulatory breakdown that needs to be understood and addressed.

With regard to the Banking Committee's legislative interest in BNL, the Federal Reserve has notified me that the BNL investigation uncovered a loophole in the criminal code that will probably allow former employees of BNL to escape Federal prosecution for fraud, theft, embezzlement, misapplication of funds, and bribery. You can be sure that I will continue to work to correct this over decade long Justice Department oversight. I have been given permission by the Rules Committee, and I intend to offer, a Floor amendment to the crime bill that will close this loophole in the criminal code.

I hope this letter has served to properly inform you as to the Banking Committee's legislative and investigative interests in BNL. I trust the Justice Department will provide its full cooperation.

Sincerely,

Henry B. Gonzalez
Henry B. Gonzalez
Chairman

HBG:dk



U.S. Department of Justice

Federal Bureau of Investigation

Office of the Director

Washington, D.C. 20535

October 5, 1990

Honorable Henry B. Gonzalez
Chairman
Committee on Banking, Finance,
and Urban Affairs
U. S. House of Representatives
Washington, D. C. 20515

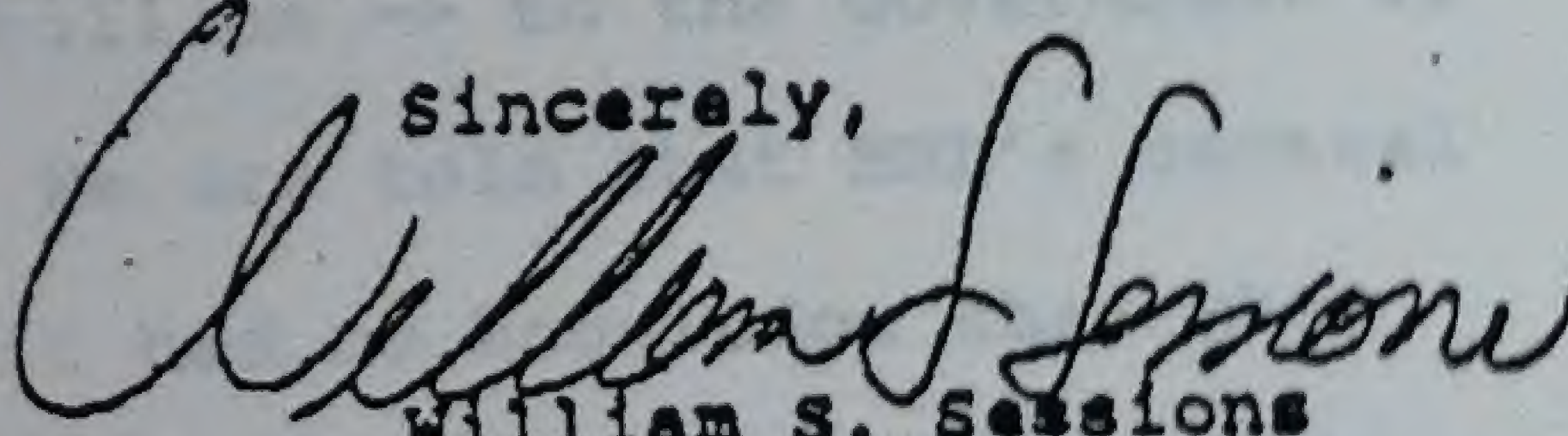
Dear Mr. Chairman:

The purpose of this letter is to express my concern with the Banca Nazionale del Lavoro (BNL) matter. I have been informed that your Committee plans to hold an open meeting on Tuesday, October 9, 1990, on the BNL investigation with the intention of voting on issuing subpoenas for documents and individuals. I also understand that you intend to hold a hearing on these matters on October 16, 1990.

Mr. Chairman, you should be aware of the existence of an ongoing criminal investigation into these matters and the likely negative impact that the Committee's actions could have on this investigation. Among my concerns are the possibility of grand jury information being inadvertently disclosed in your proceedings or other statements or evidence being disclosed prior to the anticipated trial. I am similarly concerned that the Committee's actions may prevent both further cooperation by witnesses and in fact may pose a serious threat to witness security or jeopardize successful prosecution.

I regret that we did not have the opportunity to discuss these matters today. I hope that we can work together to prevent serious damage to a very sensitive and important case.

Sincerely,


William S. Sessions
Director

JEC:aga



TESTIMONY OF F. PAUL DICKERSON
ASSOCIATE ADMINISTRATOR, FOREIGN AGRICULTURAL SERVICE &
GENERAL SALES MANAGER, COMMODITY CREDIT CORPORATION

BEFORE THE COMMITTEE ON BANKING AND FINANCE
UNITED STATES HOUSE OF REPRESENTATIVES
OCTOBER 16, 1990

Mr. Chairman and Members of the Committee: I would first like to thank the Committee for inviting me to appear today and present the views of the U.S. Department of Agriculture ("USDA") and the Commodity Credit Corporation ("CCC") regarding the concerns that have surfaced in the last year as a result of the investigation of the Atlanta agency of Banca Nazionale del Lavoro (BNL).

I know that the Committee has already been briefed by its staff regarding the issues and allegations surrounding the Atlanta investigation of BNL, and I will not go into great detail about those matters.

The basic facts, as we now understand them, are these: At some point in the mid-1980's, the management of BNL Atlanta entered into an agreement to loan a large amount of money -- rumored to be in excess of \$2.1 billion -- to the Government of Iraq and its instrumentalities. We are told that BNL's central management in Rome insists that it had no knowledge that the Atlanta branch had committed to make these loans to Iraq, and that the amount pledged was far in excess of the lending limits established for the Atlanta branch. According to BNL, the loans

See Appendix A
yearly CCC

AGREEMENT

A. - On January 20, 1990, Dr. Fadel Kadhum on behalf of the Ministry of Trade of the Republic of Iraq and of the Ministry of Industry of the Republic of Iraq as borrowers, Dr. A.M. Rasheed and Mr. Sabih M.A. Jalal on behalf of the Central Bank of Iraq (hereinafter referred to as "CBI") as guarantor, these three Iraqi entities being hereinafter referred to collectively as the "Iraqi Party", and Messrs. Paolo Di Vito and Roberto Chiazanti on behalf of Banca Nazionale del Lavoro (hereinafter referred to as "BNL"), have met in Geneva (Switzerland) with the purpose of discussing matters pertaining to the following four medium term loan agreements (hereinafter referred to as the "Loan Agreements"):

- 1) loan agreement dated February 22, 1988 of US\$200 (two hundred) million;
- 2) loan agreement dated October 6, 1988 of US\$300 (three hundred) million;
- 3) loan agreement dated December 3, 1988 of US\$500 (five hundred) million;
- 4) loan agreement dated April 8, 1989 of US\$1,155 (one thousand one hundred fifty five) million.

B. - Whereas

- The abovementioned Loan Agreements have been utilized to a large extent, with a total of about US\$1,550 (One thousand five hundred fifty) million drawn or committed toward third parties as of January 12, 1990.
- The Iraqi Party reaffirms that the Loan Agreements are wholly regular and consequently it confirms its rights and obligations under the Loan Agreements.
- BNL undertakes to recognize the provisions of the Loan Agreements.
- In consideration of the above, it appears proper both to BNL and the Iraqi Party (hereinafter referred together to as the "Parties") to make specifications and integrations with regard to the drawings already done, the future drawings and in general the mutual relationship between the Parties in the further phase of utilization of the Loan Agreements and afterwards in reimbursement of the loans.
- Such specifications and integrations have the purpose of improving and strengthening the relationship and the co-operation between the Parties.
- Finally the Parties are willing to further develop their cooperation on the basis of guidelines hereinafter specified.

NOW IT IS AGREED as follows:

- 1 - The previous statements form integral part of this agreement hereinafter referred to as the "Agreement".
- 2 - The Parties agree to utilize the amounts left over to be available for new transactions. The amounts available are as follows:
 - a) The unallocated portion under the Loan Agreements, estimated at US\$252 (two hundred fifty two) million, subject to the reconciliation under clause 6;
 - b) The amount of letters of credit open by CBI but not yet confirmed by BNL, which the Parties agree to cancel (listed in Annex 1);
 - c) The amount of those letters of credit already confirmed by BNL which will be handled in the manner defined in Annex 2.
- 3 - With regard to the amounts available under Sec. 2 a) and b) above, the Iraqi Party agrees to utilize 2/3 (two thirds) of them for the financing of projects, supplies and services of Italian firms. The remaining 1/3 (one third) and amounts available under Sec. 2 c) above will be available for the financing of projects, supplies and services from Italy and/or other countries.

- 4 - The Iraqi Party agrees to increase and maintain the average aggregate deposits to a level between US\$80 (eighty) and US\$100 (one hundred) million with BNL branches of its choice. BNL will pay the best prevailing market rates on such deposits.
- 5 - At the request and in the interest of BNL the Iraqi Party agrees to the following points:
- a) Not less than US\$150 (one hundred fifty) million of the amount defined in Sec. 3 will be available to the Iraqi Party solely for the financing of projects, supplies and services of Italian firms to finance the 15% (fifteen percent) down payments relative to SACE-insured contracts, totalling not less than US\$1,000 (one thousand) million; if said amount (US\$150 (one hundred fifty) million) or any part of it is not utilized within the period specified under Clause 8 of this Agreement, BNL will be released from its commitment to provide the unutilized part of the said amount;
 - b) To assist BNL to obtain domiciliation of Iraqi exports with BNL branches in Italy and abroad;
 - c) To make its best efforts to expand its banking activities and cooperation with BNL and to promote the channelling of covered letters of credit through BNL whenever possible.

- 6 - The Parties will meet not later than February 28, 1990 to reconcile their respective positions and to rationalize accounting procedures, and at least twice a year thereafter.
- 7 - BNL will transmit to the Iraqi Party the texts of those letters of credit confirmed by BNL Atlanta Branch to the beneficiaries where such texts differ from those issued by CBI. Such texts will be jointly examined by the Iraqi Party and BNL during the reconciliation under Clause 6.
- The Iraqi Party will either approve the confirmed texts or shall endeavour, in cooperation with BNL, to develop viable solutions. The implementation of this provision will be carried out in such a way not to delay the payment of the related letters of credit.
- 8 - The Parties agree that no drawings under the Loan Agreements and this Agreement will be made after December 31, 1995, unless exceptions are agreed upon between the Parties. In the absence of the last Provisional Acceptance Certificate (PAC) in the case of projects, of the last shipping documents in the case of supply contracts and of the last certificate in the case of services, the abovementioned date (December 31, 1995) will serve as the date of the last PAC, the last

shipping documents and the last certificate respectively for the purpose of implementing the duration and repayment provisions of the Loan Agreements.

- 9 - Each party to this Agreement waives for the benefit of the other all claims for damages originating or arising from events occurred before the date of this Agreement in respect to the Loan Agreements and the execution thereof. In case of non-performance of this Agreement and/or of the Loan Agreements the waiver by the performing party will become null and void. The Iraqi Party will make its best efforts with the beneficiaries of the letters of credit in order to avoid or however limit their claims for damages towards BNL.
- 10 - This Agreement, made in two originals, is signed by Dr. Fadal Kadhum, Dr. A.M. Rasheed and Mr. Sabih M.A. Jalal for the Iraqi Party and by Paolo Di Vito and Roberto Chiananti for BNL. This Agreement is subject to the approval by the competent authorities of Iraqi Party and of BNL and to the receipt of satisfactory legal opinions of counsel to BNL and of counsel to the Iraqi Party. The respective approvals will be communicated by exchange of tested telexes between the

Parties not later than January 31, 1990. In case this Agreement is not approved either by the Iraqi Party or by BNL by such date, then it will become null and void without affecting the rights and obligations of the Parties under the Loan Agreements.

MINISTRY OF TRADE OF THE REPUBLIC OF IRAQ

By: Dr. Fadal Kadhum

Title: Legal Adviser

MINISTRY OF INDUSTRY OF THE REPUBLIC OF IRAQ

By: Dr. Fadal Kadhum

Title: Legal Adviser

CENTRAL BANK OF IRAQ

By: Dr. A. Rasheed

Title: Director General - Investment C.B.I.

By: Sabih M.A. Jalal

Title: Director of Agreements and Loans C.B.I.

BANCA NAZIONALE DEL LAVORO

By: (s)

Title: Senior Vice President

ANNEX 1

The amount referred to is related to the two L/C's in favour of the General Motor Corporation for a total of US\$114 (one hundred fourteen) million. This amount will be available to the Iraqi Party under the provisions of Clause 3.

ANNEX

MATRIX CHURCHILL LTD.

	<u>Column 1</u> <u>Balance</u>	<u>Column 2</u> <u>Documents Unpaid</u>	<u>Column 3</u> <u>Payment</u>
<u>Pending</u>			
08/3/3897	Lgs. 1,905,940.44	Lgs. 1,833,052.40	Lgs. 72,000.03
08/3/3898	Lgs. 7,014,837.60	Lgs. 1,255,589/60	Lgs. 10,011.00
			5,003.60
			4/8/90
	Lgs. 8,920,778.04	Lgs. 3,118,642.00	Lgs. 87,904.83
09/3/609	DM 63,279,000	*	*
09/10/66	DM 8,629,000	DM 3,207,000	
**	DM 72,908,000	DM 3,207,000	

MATRIX CHURCHILL CORP.

88/3/3544	US\$10,725,000	US\$1,565,145.25
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TDG

*** Lgs. 756,775

US\$ 1.6715 = Lgs. 1
DM 1.6820 = US\$.1

(Lgs) *** US\$ 1,264,964.43
(Lgs) * US\$14,911,080.49
(DM) ** US\$43,346,016.66
US\$10,725,000.00
US\$70,147,051.57

- Amounts outstanding and payable as listed in Columns 2 and 3, i.e., Lgs. 3,206,546.83, DM 3,207,000.--, US\$1,555,145.25 will be paid directly by Central Bank of Iraq to the beneficiaries - BNL will send the documents already presented to CBI.

- The LC's pertaining to the amounts listed in Column 1 (equivalent to US\$70,247,051.57) will be cancelled and reopened by the Iraqi Party through other banks. These amounts will be available to the Iraqi Party as per Clause 3.

[Original numbers virtually illegible. Transcription is unreliable].

A - On January 20, 1930, Dr. Fakhri Khayyat on behalf of the Ministry of the Republic of Iraq and of the Ministry of Industry of the Republic of Iraq as borrowers, Dr. A.M. Rashid and Mr. Fakhri M.A. Jaleel on behalf of the Central Bank of Iraq (hereinafter referred to as "CB") as guarantor, these three Iraqi entities being hereinafter referred to collectively as the "Iraqi Party", and Messrs. Paolo Di Vico and Roberto Cicerone on behalf of Banca Nazionale del Lavoro (hereinafter referred to as "BNL"), have met in Geneva (Switzerland) with the purpose of discussing matters pertaining to the following four specific loan agreements hereinafter referred to as the "Loan Agreements"):

- 1) Loan agreement dated February 22, 1928 of US\$ 200 (two hundred) million;
- 2) Loan agreement dated October 6, 1928 of US\$ 300 (three hundred) million;
- 3) Loan agreement dated December 3, 1928 of US\$ 500 (five hundred) million;
- 4) Loan agreement dated April 8, 1929 of US\$ 1,350 (one thousand one hundred thirty five) million.

B - Whereas

- The above mentioned loan agreements have been utilized to a large extent, with a total of about US\$ 1,350 (one thousand three hundred thirty) million drawn on contracts entered into prior to 12.1.1930.
- The Iraqi Party reaffirms that the loan agreements are wholly genuine and consequently it confirms its rights and obligations under the loan agreements.

On 12.1.30

12.1.30

- EC undertakes to recognize the provisions of the Loan Agreements.
- In consideration of the above, it appears proper, both to EC and the Iraqi Party (hereinafter referred together to as the "Parties") to make specifications and integrations with regard to the drawings already done, the future drawings and in general the mutual relationship between the Parties in the further phase of utilization of the Loan Agreements and afterwards in reimbursement of the loans.
- Such specifications and integrations have the purpose of improving and strengthening the relationship and the cooperation between the Parties.
- Finally the Parties are willing to further develop their cooperation on the basis of guidelines hereinafter specified.

Now it is agreed as follows:

1 - The previous statement shall form integral part of this agreement hereinafter referred to as the "Agreement".

2 - The Parties agree to utilize the amounts left over to be available for new transactions. The amounts available are as follows:

a) The unallocated portion under the Loan Agreements, estimated at US\$ 252 (two hundred fifty two) million, subject to the mobilization under clause 6)

b) The amount of letters of credit opened by CIJ but not yet confirmed by EC, which the Parties agree to cancel (listed in Annex

c) The amount of those letters of credit already confirmed by EC which will be handled in the manner defined in Annex 3.

3 - With regard to the amounts available under sect. 2 a) and b) above, the Iraqi Party agrees to utilize 2/3 (two thirds) of them for the financing of projects, supplies and services of Italian firms. The remaining 1/3 (one third) and amounts available under sect. 2 c) above will be available for the financing of projects, supplies and services from Italy and/or other countries.

4 - The Iraqi Party agrees to increase and maintain the average aggregate deposits to a level between US\$ 80 (eighty) and US\$ 100 (one hundred) million with EC branches of its choice. EC will pay the most prevailing market rates on such deposits.

5 - At the request and in the interest of EC the Iraqi Party agrees to the following points:

a) Not less than US\$ 150 (one hundred fifty) million of the amount defined in sect. 3 will be available to the Iraqi Party solely for the financing of projects, supplies and services of Italian firms to finance the 15% (fifteen percent) down payments relative to ECI-insured contracts, totalling not less than US\$ 1.000 (one thousand) million; if said amount (US\$ 150 (one hundred fifty) million)

بی

or any part of it is not utilized within the period specified under Clause 8 of this Agreement, EC will be released from its commitment to provide the unutilized part of the said amount.

b) to assist EC to obtain domestication of Iraqi exports with EC branches in Italy and abroad;

c) to make its best efforts to expand its banking activities and cooperation with EC and to promote the channelling of covered letters of credit through EC whenever possible.

6 - The Parties will meet not later than February 28, 1990 to reconcile their respective positions and to rationalize accounting procedures, and at least twice a year thereafter.

7 - EC will transmit to the Iraqi Party the texts of those letters of credit confirmed by EC Atlanta Branch to the beneficiaries where such texts differ from those issued by CI. Such texts will be jointly examined by the Iraqi Party and EC during the reconciliation under Clause 6.

The Iraqi Party will either approve the confirmed texts or shall endeavour, in cooperation with EC, to develop viable solutions. The implementation of this provision will be carried out in such a way not to delay the payment of the related letters of credit.

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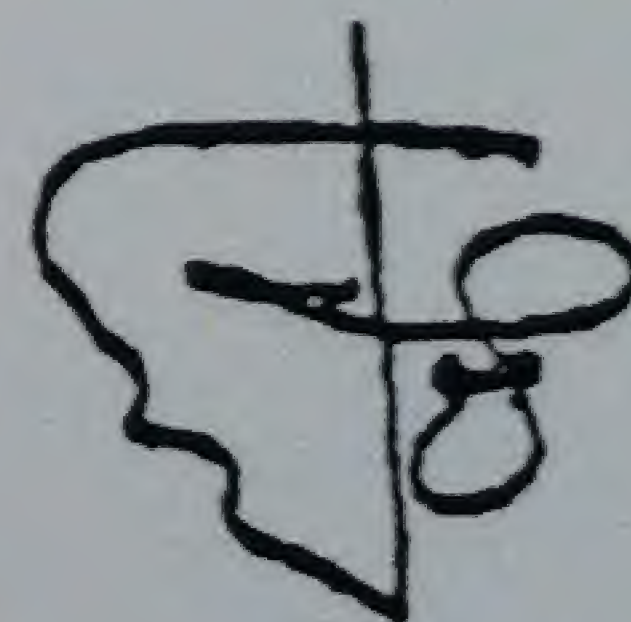
- 8 - The Parties agree that no drawings under the Loan Agreements and this Agreement will be made after December 31, 1993, unless exceptions are agreed upon between the Parties. In the absence of the last Provisional Acceptance Certificate (PAC) in the case of projects, of the last shipping documents in the case of supply contracts and of the last certificate in the case of services, the above-mentioned date (December 31, 1993) will serve as the date of the last PAC, the last shipping documents and the last certificate respectively for the purpose of liquidating the duration and repayment provisions of the Loan Agreements.
- 9 - Each party to this Agreement waives for the benefit of the other all claims for damages originating or arising from events occurred before the date of this Agreement in respect to the Loan Agreements and the execution thereof. In case of non-performance of this Agreement and/or of the Loan Agreements the waiver by the participating party will become null and void. The Iraqi Party will make its best efforts with the beneficiaries of the Letters of credit in order to avoid or however limit their claims for damages towards ECL.
- 10 - This Agreement, made in two originals, is signed by Mr. Fathi Khatib, Mr. A.M. Mustafa and Mr. Abdul H.A. Jalal for the Iraqi Party and by Paolo Di Vito and Roberto Clementi for ECL. This Agreement is subject to the approval by the competent authorities of Iraqi Party and of ECL and to the receipt of satisfactory legal opinions of counsel to ECL and of counsel to the Iraqi Party. The respective approvals will

be communicated by exchange of certified telegrams between the Parties not later than January 31, 1980. In case this Agreement is not approved either by the Iraqi Party or by EC by such date, then it will become null and void, without affecting the rights and the obligations of the Parties under the Loan Agreements.

نائب مدير
 MINISTER OF TRADE OF THE REPUBLIC OF IRAQ
 BY: Dr. Fadel KADHUM
 TITLE: Legal Adviser

نائب مدير
 MINISTER OF INDUSTRY OF THE REPUBLIC OF IRAQ
 BY: Dr. Fadel KADHUM
 TITLE: Legal Adviser
القاضي
 CENTRAL BANK OF IRAQ
 BY: Dr. A. B. ...
 TITLE: DIRECTOR GENERAL OF
INVESTMENT & ...

BANCA NAZIONALE DEL LAVORO
 BY: Carlo ...
 TITLE: SENIOR VICE PRESIDENT



SABIH M. A. JALAL
 DIRECTOR
 DISCREET OF AGREEMENT
 AND LOANS C.B.I.

be communicated by exchange of certified telegrams between the Parties not later than January 31, 1980. In case this Agreement is not approved either by the Iraqi Party or by IEC by such date, then it will become null and void, without affecting the rights and the obligations of the Parties under the Loan Agreements.

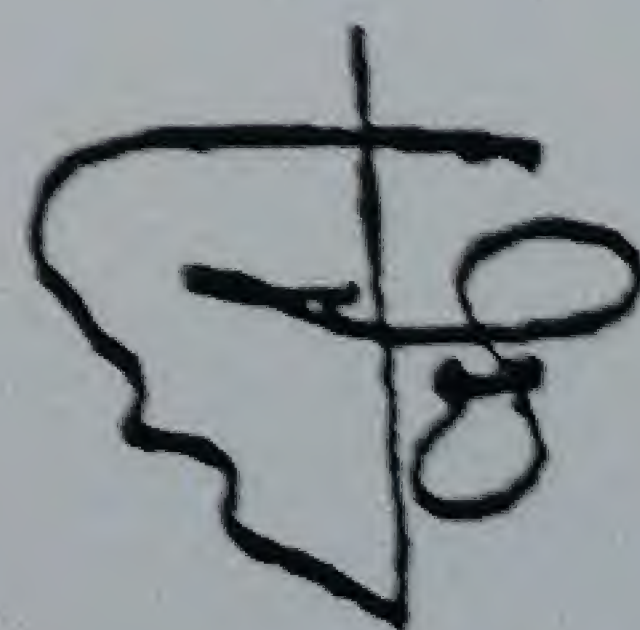
نامبردار
 MINISTER OF TRADE OF THE REPUBLIC OF IRAQ
 BY: Dr. Fadel KADHUMI
 TITLE: Legal Adviser

نامبردار
 MINISTER OF INDUSTRY OF THE REPUBLIC OF IRAQ
 BY: Dr. Fadel KADHUMI
 TITLE: Legal Adviser

القاضي
 CHIEF JUDGE OF IRAQ

BY: Dr. A. B. ...
 TITLE: DIRECTOR GENERAL OF INVESTMENT & ...

BANCA NAZIONALE DEL LAVORO
 BY: Carlo ...
 TITLE: SENIOR VICE PRESIDENT



SAEID H. A. JAMAL
 DIRECTOR
 DEPARTMENT OF AGREEMENT
 AND LAWS C.B.I.

Annex 1

The amount referred to is related to the two L/C's in favour of the General Motor Corporation for a total of US\$ 114 (one hundred fourteen) million. This amount will be available to the Iraqi Party under the provisions of Clause 3.

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US\$ 1,472.00 = 100.00
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US\$ 1,472.00 = 100.00

The amount mentioned in the above is related to the two L/C's in favour of the General Motor Corporation for a total of US\$ 114 (one hundred fourteen) million. This amount will be available to the Iraqi Party under the provisions of Clause 3.

78

KATZEX OVERHILL LTD.

	<u>Column 1</u> <u>Balance</u>	<u>Column 2</u> <u>Documents Presented</u>	<u>Column 3</u> <u>Payments Made</u>
22/3/1987	Lgs. 1,808,840.44	Lgs. 1,833,082.40	Lgs. 72,888.03
22/3/1988	Lgs. 7,014,837.60	Lgs. 1,288,888.00	Lgs. 10,611.20
	-----	-----	5,008.02 4/1/88
	* Lgs. 8,820,778.04	Lgs. 3,121,970.40	Lgs. 87,904.83
19/3/88	DM. 63,278.000	"	"
28/10/88	DM. 7,629.000	DM. 1,207.000	"
	** DM. 72,808.000	DM. 3,207.000	

KATZEX OVERHILL CORP.

22/3/1988 US\$ 10,728,000 US\$ 1,853,143.25

DM

***Lgs. 714,778

US\$ 1,8718 = Lgs. 1 .
DM. 1.4820 = US\$. 1

(Lgs.) ***Lgs 1,264,854.43
(Lgs.) *US\$ 14,911,080.68
(DM.) **US\$ 43,348,019.68
US\$ 10,728,000.00

US\$ 70,247,081.87

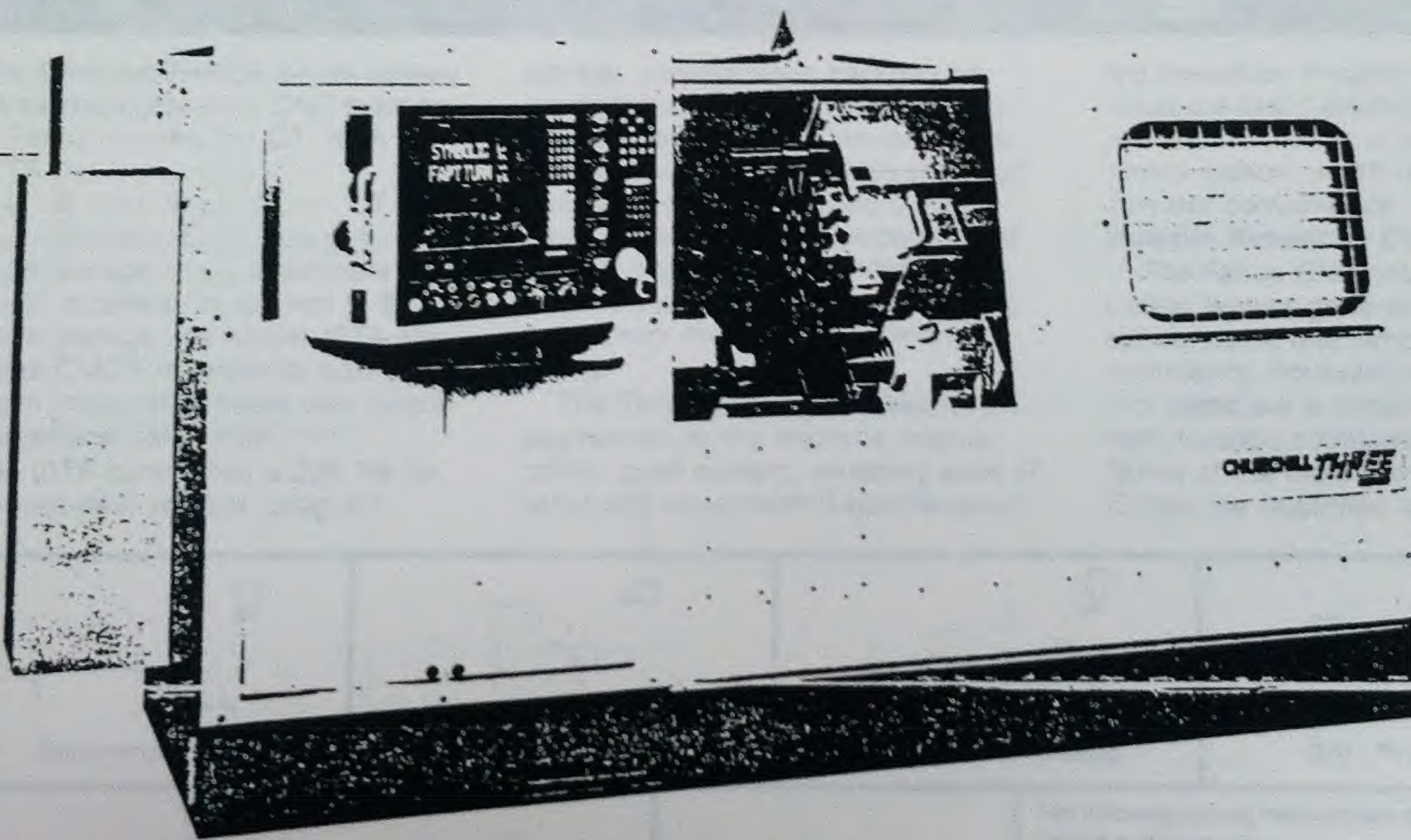
- Amounts outstanding and payable as listed in Columns 2 and 3, i.e. Lgs. 3,207,000.00, US\$ 1,853,143.25 will be paid directly by Central Bank of Iraq to the beneficiaries - BZL will send the documents already presented to CB.
- The LC's pertaining to the amounts listed in Column 1 (equivalent to US \$ 70,247,081.87) will be cancelled and reopened by the Iraqi Party through other banks. These amounts will be available to the Iraqi Party as per Clause 3.

CHURCHILL

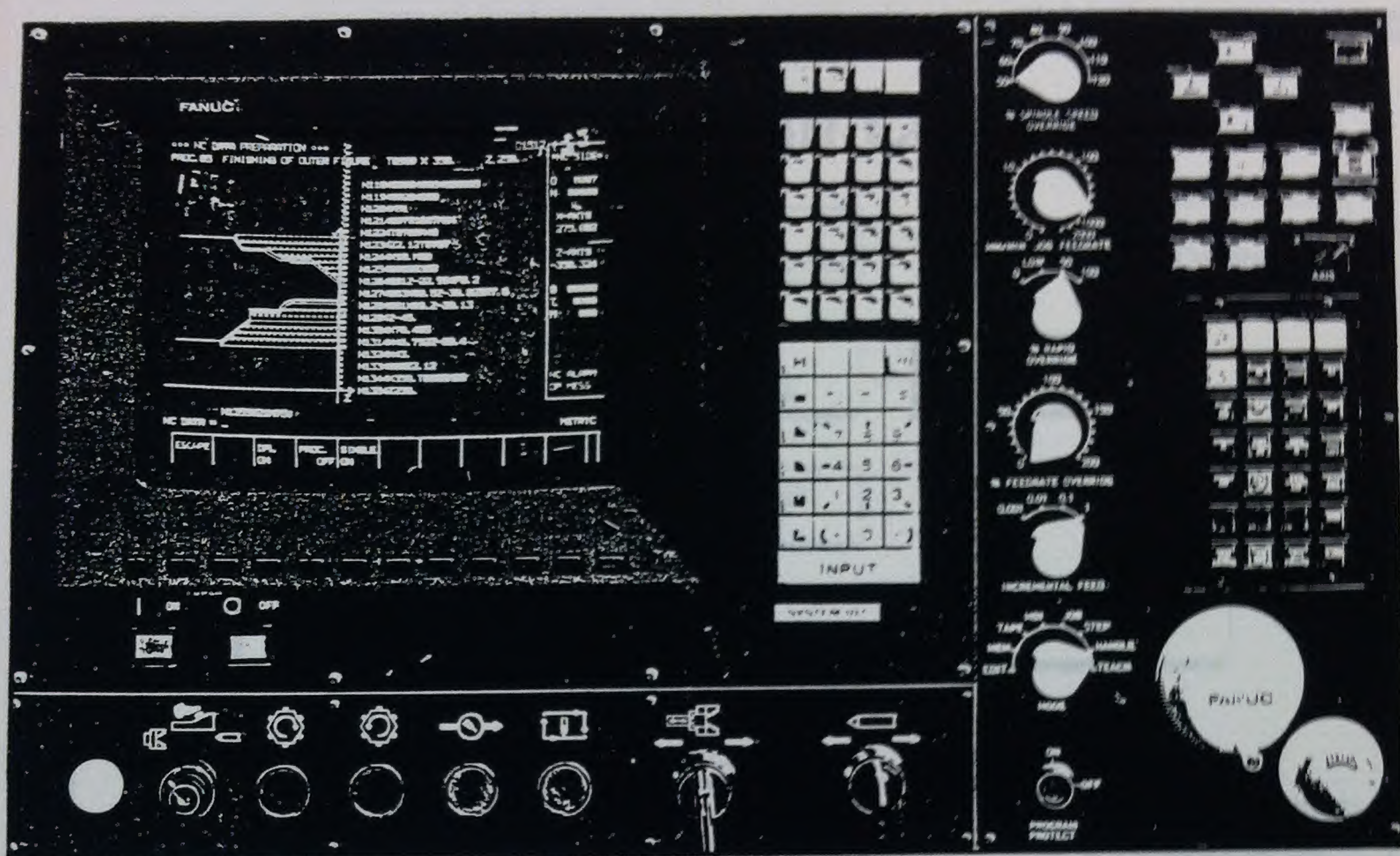
APPENDIX B

THREE

SERIES



C NASSER



The Churchill THREE Series utilises the latest microprocessor CNC systems from Fanuc, namely the OT 10TA or 10TF.

The low cost OT 10TA Model OT incorporates 8K built-in memory for part program storage, modular software and tool path graphics. In addition to 8K program storage, the Model 10TA also provides CMOS memory for part program, modular software and optical fibre interface connection.

The 10TF control has a 20K file for machining data and part program

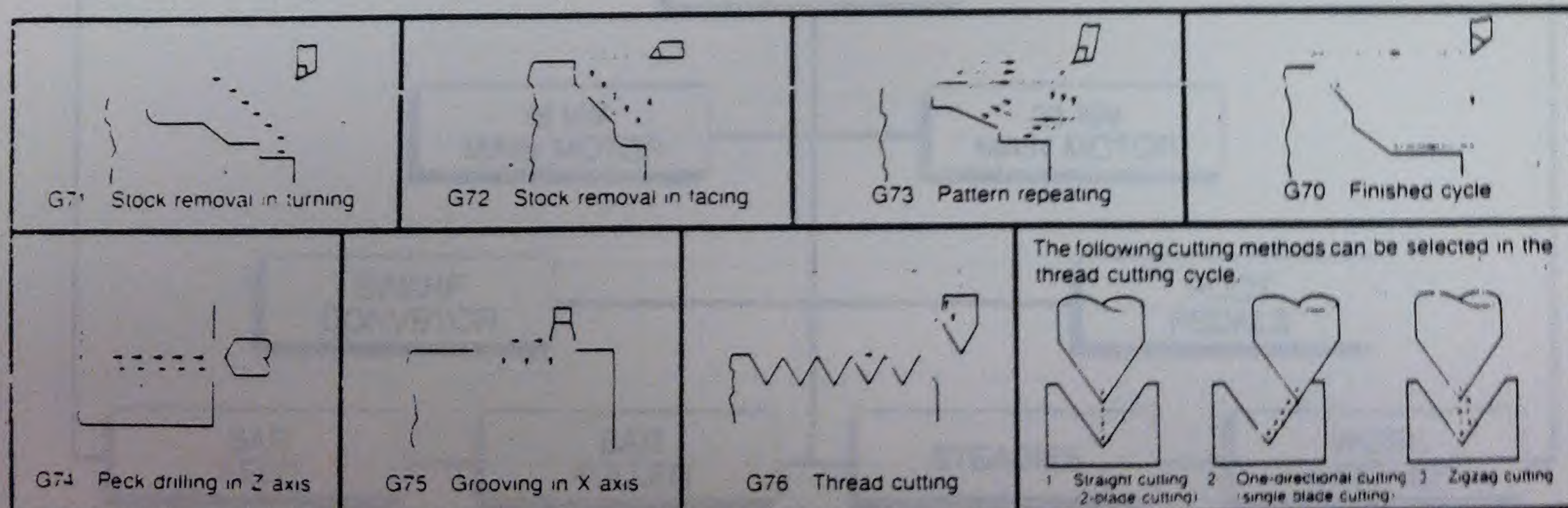
storage, simultaneous background programming and machining, colour graphics display and 'Conversational Programming' which enables shop floor programming to be carried out with ease. A program is developed on the graphic display and machining parameters and tool dimensions are drawn from the controls permanent library.

The Fanuc VDU and keyboard is augmented by the machine manual control push buttons, enabling ease of set up and adjustment of spindle speed

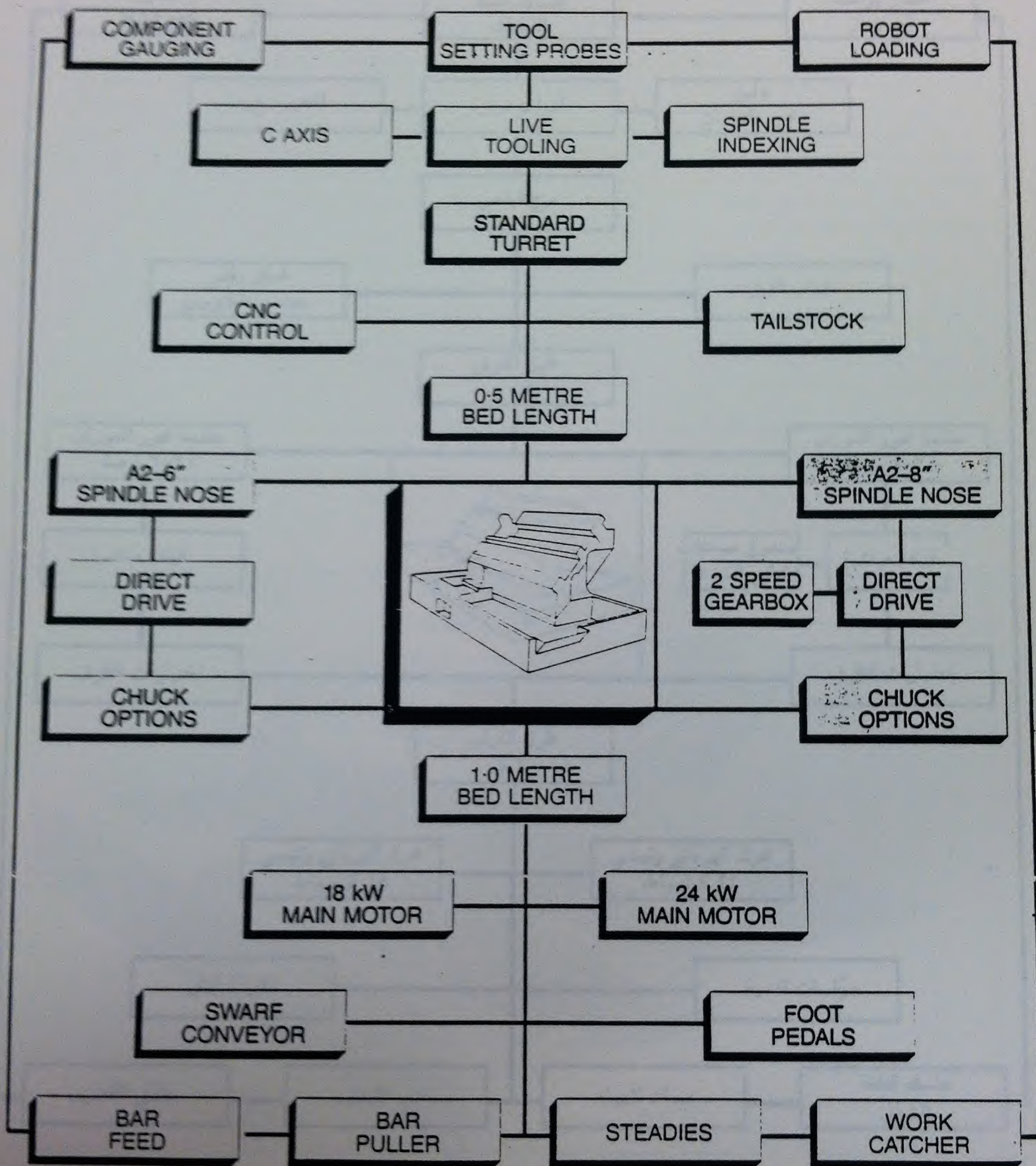
and feedrates. Program edits and data inputs are easily assimilated due to the well laid out nature of the operator control station, which is pivoted for operator convenience.

Multiple Repetitive Cycles (G Codes)

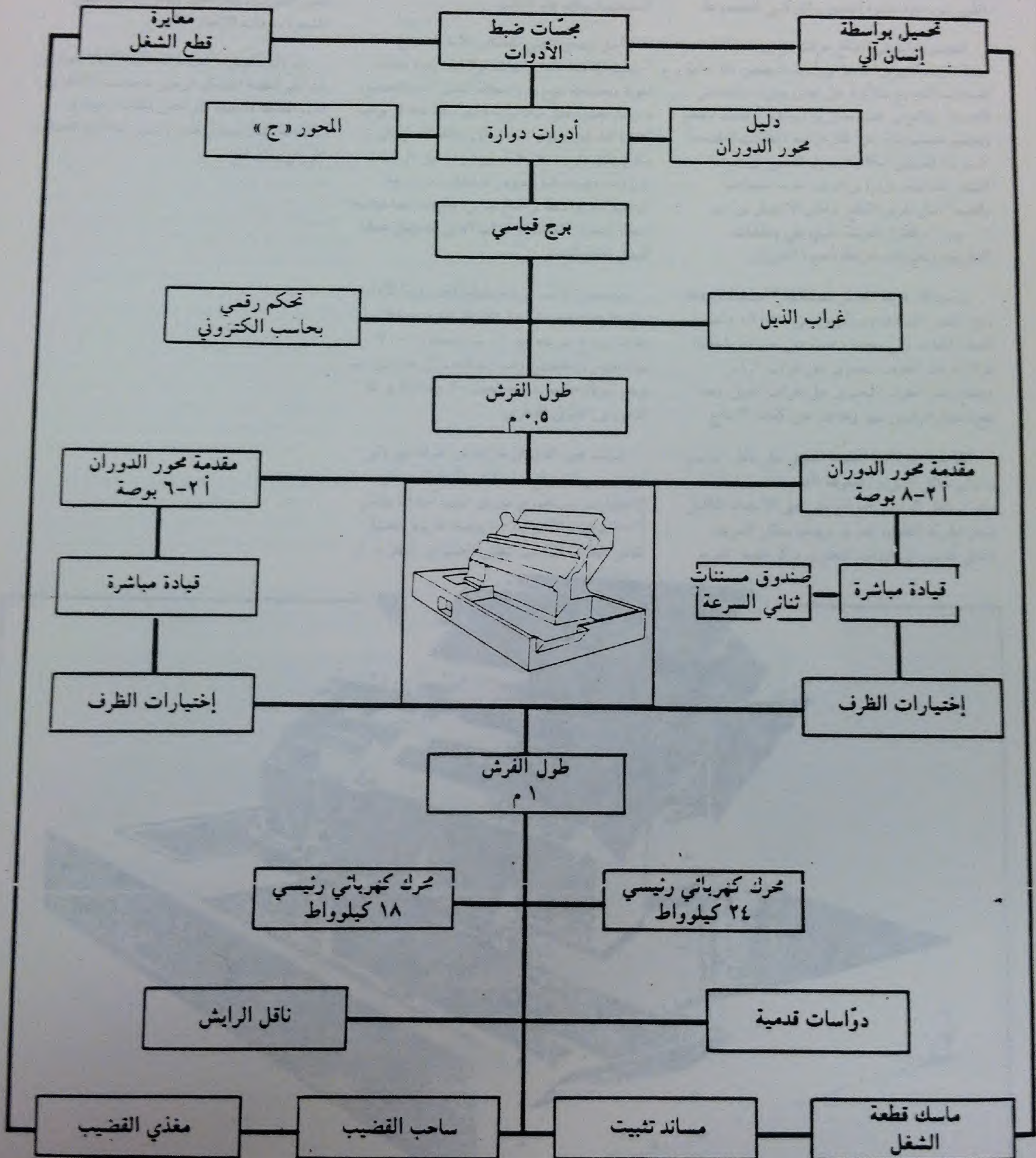
The Fanuc CNC 'multiple repetitive cycles' feature generates a series of cutting paths with simple program commands. For example, rough cutting tool paths are automatically calculated from finished component dimensions. Some of the more commonly used G Codes are illustrated below.



Modular Design Concept



مفهوم التصميم التركيبي



متانة وجودة ودقة في التصميم والصنع

القاعدة والفرش الصلبان الداخلتان في تكوين كافة الماكينات من تشكيلة نصر ٣ تشكّلان الأساس الذي يقوم عليه مفهوم التصميم التركيبي للمجموعة.

فمصبوبة الفرش المضلع عرضياً والمزود بمسالك مصلدة وبمخلعة يوفر أساساً قوياً ومتيناً يضمن دقة عالية - لعمليات التصنيع بالماكينة على مدى سنوات التشغيل العديدة - والفرش نفسه مائل بزاوية ٤٥° ومثلث المقطع ومصمم تصميمياً يقوم على علم دراسة الطاقات (الهندسة البشرية) لتسهيل إمكانية وصول المشغل إلى منطقة الشغل للماكينة، موفرة في الوقت نفسه امتصاصاً ولتحميداً أمثل لقوى القطع. ويمكن الاختيار من بين ٠,٥ م و ١ م لطول الفرشة الذي يفي بمتطلبات النظريف وتطبيقات خراطة أعمدة الدوران.

إن مسالك مزلفة الفرش للتشكيلة ٣ مصلدة ومخلعة وفق اختيار الصلادة « روكويل سي ٤٥-٤٩ » لضمان الدقة والمتانة، وهي معطاة ومحمية على نحو ثاء بأغطية فولاذية عند الطرف المحتوي على غراب الرأس وينفخ عند الطرف المحتوي على غراب الذيل، وهذا يمنع دخول الرايش فيها ويحافظ على كفاءة الانتاج.

القاعدة الفولاذية المصنعة تحتوي على ناقل الرايش وخزان سائل التبريد ومجموعة القدرة الهيدروليكية. ويتولى ناقل الرايش جمع الرايش على الامتداد الكامل لمسار الحركة الطولية للفرشة، ويوجه سائل التبريد داخل أنابيب إلى أدوات القطع في مركز العمل للفرج.

بواسطة مضخة سائل التبريد المشغلة بمحرك كهربائي، كما يتوفر سائل تبريد بضغط عال للاستعمالات المتخصصة وذلك عند الطلب.

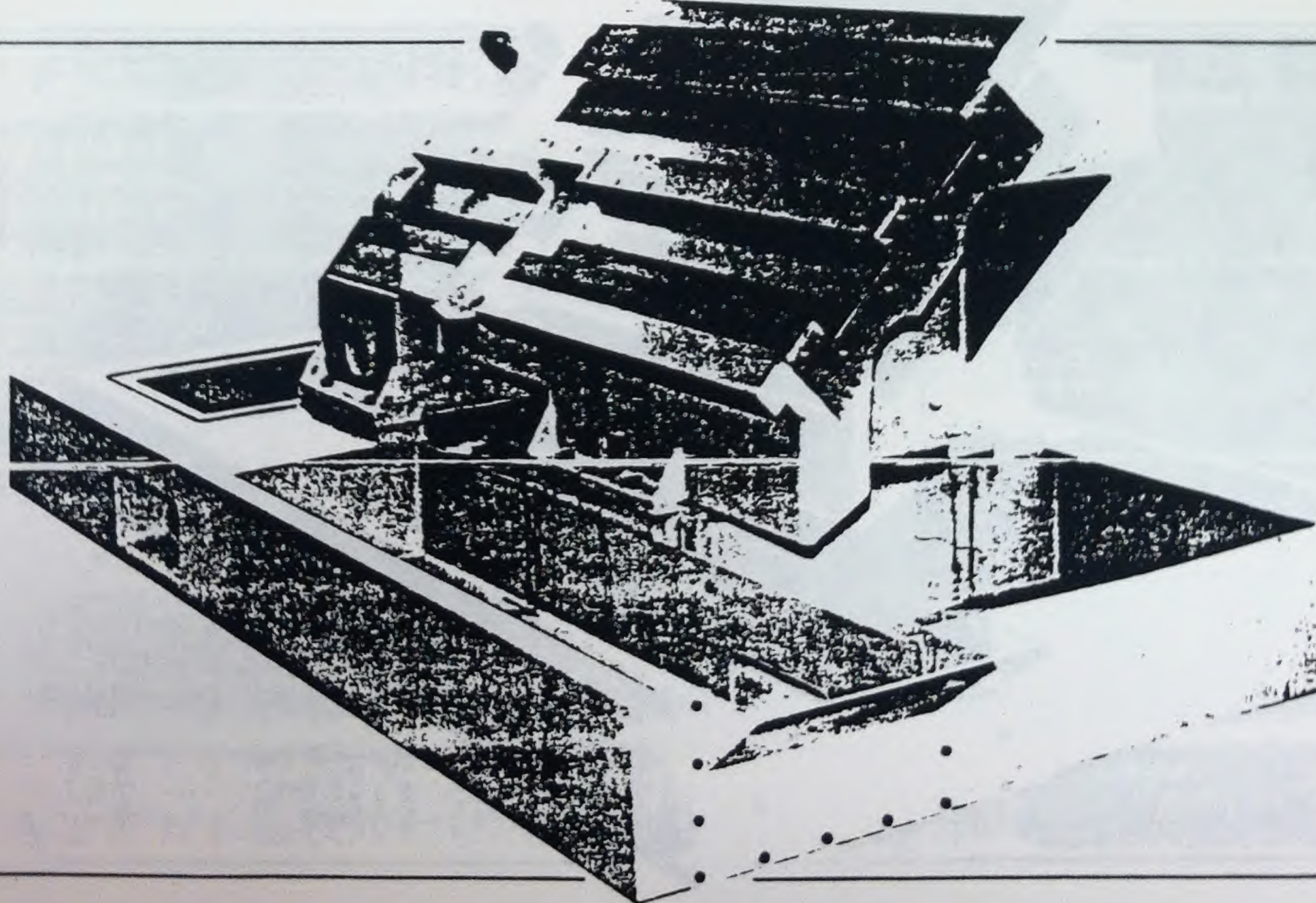
لأجل ضمان أقصى كفاءة وسلامة للمشغل، أحيطت الماكينة تماماً بواقيات فولاذية مزودة بناقذة مقواة ومصفحة تتيح رؤية منطقة العمل أثناء التصنيع وتوجد أجهزة قفل ميكانيكية وكهربائية تامة للأبواب الانزلاقية تمنع وصول المشغل إلى منطقة العمل إلى أن يكون ذلك مقروناً بالسلامة. ويمكن تشغيل الواقيات يدوياً أو أوتوماتيكياً - متوفر كاختيار - من لوحة التشغيل أو بواسطة برنامج حركي. وتوجد أيضاً دواصة تدمية لتشغيل الطرف أو غراب الذيل لتسهيل عملية تحميل قطعة الشغل.

وتستعمل لوائب كروية وصامولات رقيقة الأداء يبلغ قطرها ٤٠ مم لتشغيل المترلفة العريضة خلال تعدية تتراوح سرعته بين ٠,١ م/دقيقة و ٧٠٠٠ م/دقيقة. ولتحقيق وقت التوقفات إلى حد أدنى - توفير حركة حاسية سريعة بمعدل ١٠ م/دقيقة في كلا المحورين الطولي والعمودي.

يستند محور الدوران حركته من محرك كهربائي قوي وبسرعات تبلغ ٤٠٠٠ دورة/دقيقة. ويمكن الاختيار من بين محوري دوران اسين، أحدهما بمقاسي ٢١-٦ بوصة والآخر ٢١-٨ بوصة، مما يوفر اختياراتاً لمقاس الطرف المناسب لنطاق العمليات المطلوبة كما

إن اختيار صندوق المستنات الثاني السرعة يتيح إمكانية استعمال عزم دوران عال بسرعات منخفضة لمحور الدوران، وهذا مفيد بشكل خاص لقطع المشغولات ذات الاقطار الكبيرة.

يتم التحكم في ماكينات التشكيلة ٣ بالاختيار من بين آخر أنظمة التحكم الرقمي بالحاسب الالكتروني ذات المعالجة الدقيقة التي تحتل مكانة مرموقة في الصناعة وتتنازع سجل قدير في مدى حداثتها للعمل في الورش والمصانع.



Rigidity, Quality and Precision in Design and Build

The rigid base and bed which are common to all Churchill THREE Series machines supplied, form the basis of the modular design concept of the range.

The cross ribbed bed casting, with hardened and ground bedways, provides a rigid, solid foundation to ensure sustained high accuracy machining over many years of operation. Triangular in section, the 45° slant bed has been ergonomically designed to give easy operator access to the working area of the machine, whilst affording optimum absorption and damping of the cutting forces. A choice of 0.5m and 1.0m bed length satisfies the requirement for chucking and shaft turning applications.

Bed slideways of the THREE Series, hardened and ground to Rockwell C 45-49 for precision and durability, are totally covered and protected by steel covers at the headstock end and bellows at the tailstock end. Infiltration of swarf is therefore prevented and production efficiency maintained.

The fabricated steel base houses the swarf conveyor, coolant tank and hydraulic power pack. The swarf conveyor provides swarf collection over

the full longitudinal travel of the carriage. Coolant is piped to the tools in the working station of the turret from a motor driven coolant pump assembly. High pressure coolant is available for specialised applications, if required.

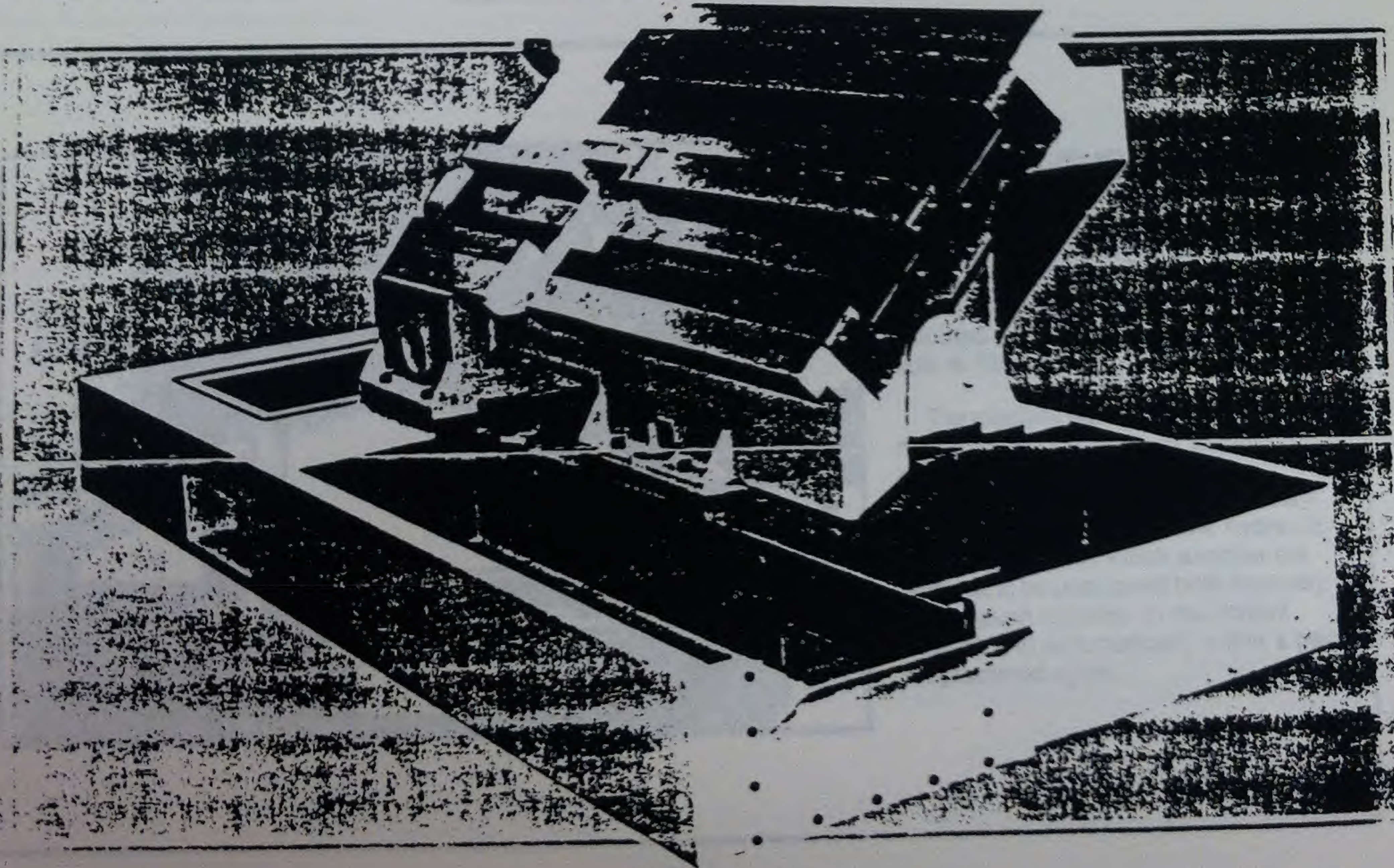
For maximum operator efficiency and safety, the machine is totally enclosed by steel guards with a reinforced, laminated window providing visibility of the operating area during machining. Full mechanical and electrical interlocking of the sliding doors prevents operator access to the working area until safe to do so. Guards may be operated manually or, as an option, automatically from the operator panel or part program. A foot pedal for chuck or tailstock operation is also available to facilitate ease of component loading.

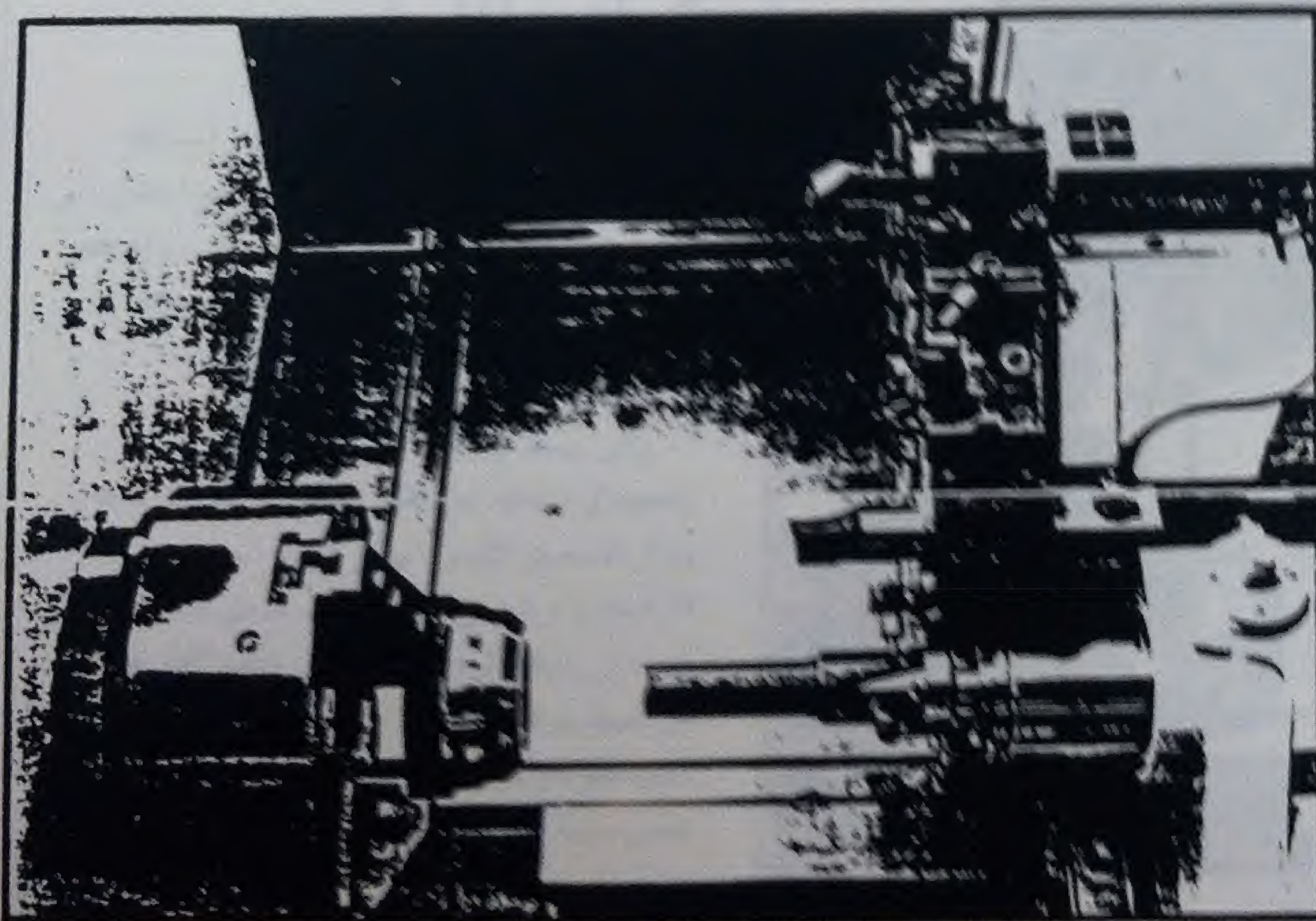
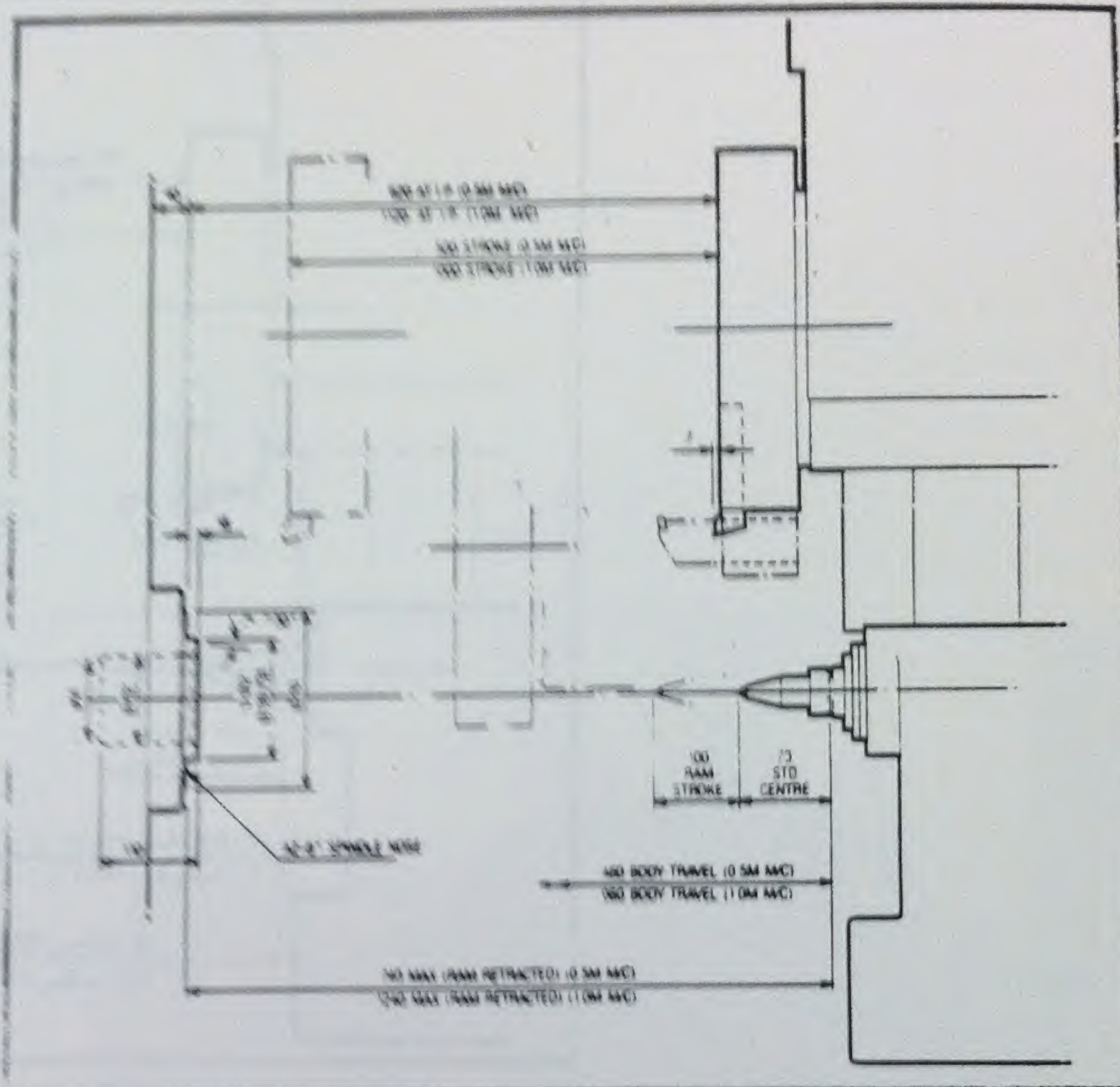
High performance 40mm diameter ballscrews and nuts are used to drive the cross slide through feed ranges of 0.1mm/min to 7000mm/min. To minimise idle times, a rapid traverse rate of 10m/min. is provided in both longitudinal and radial axes.

The powerful motor drive to the spindle gives a speed range of up to 4000 rpm. A choice of two spindle

sizes, A2-6" or A2-8" provides a choice of chuck size to suit a range of applications. The two speed gear box option provides high torque capability at low spindle speeds, particularly useful for large diameter components.

Control for the THREE Series is provided from a choice of the latest microprocessor CNC systems which are well-regarded within the industry with a proven record of reliability for the shop floor.

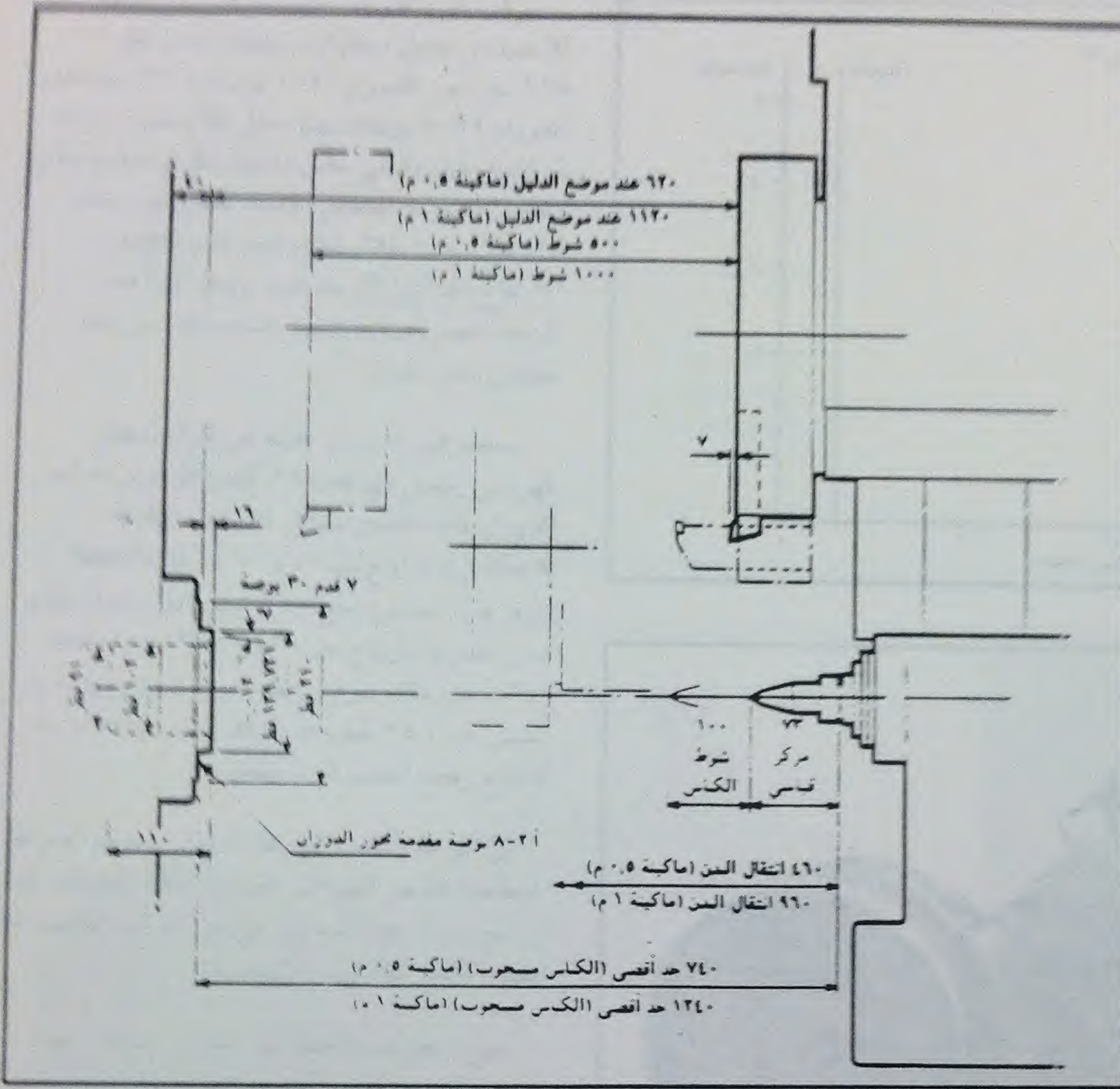




Tailstock

The optional tailstock, required for the support of shaft type components and slender bar fed work, is mounted on the lower bedways. Hydraulically actuated stroke of the 105mm diameter quill is 100mm.

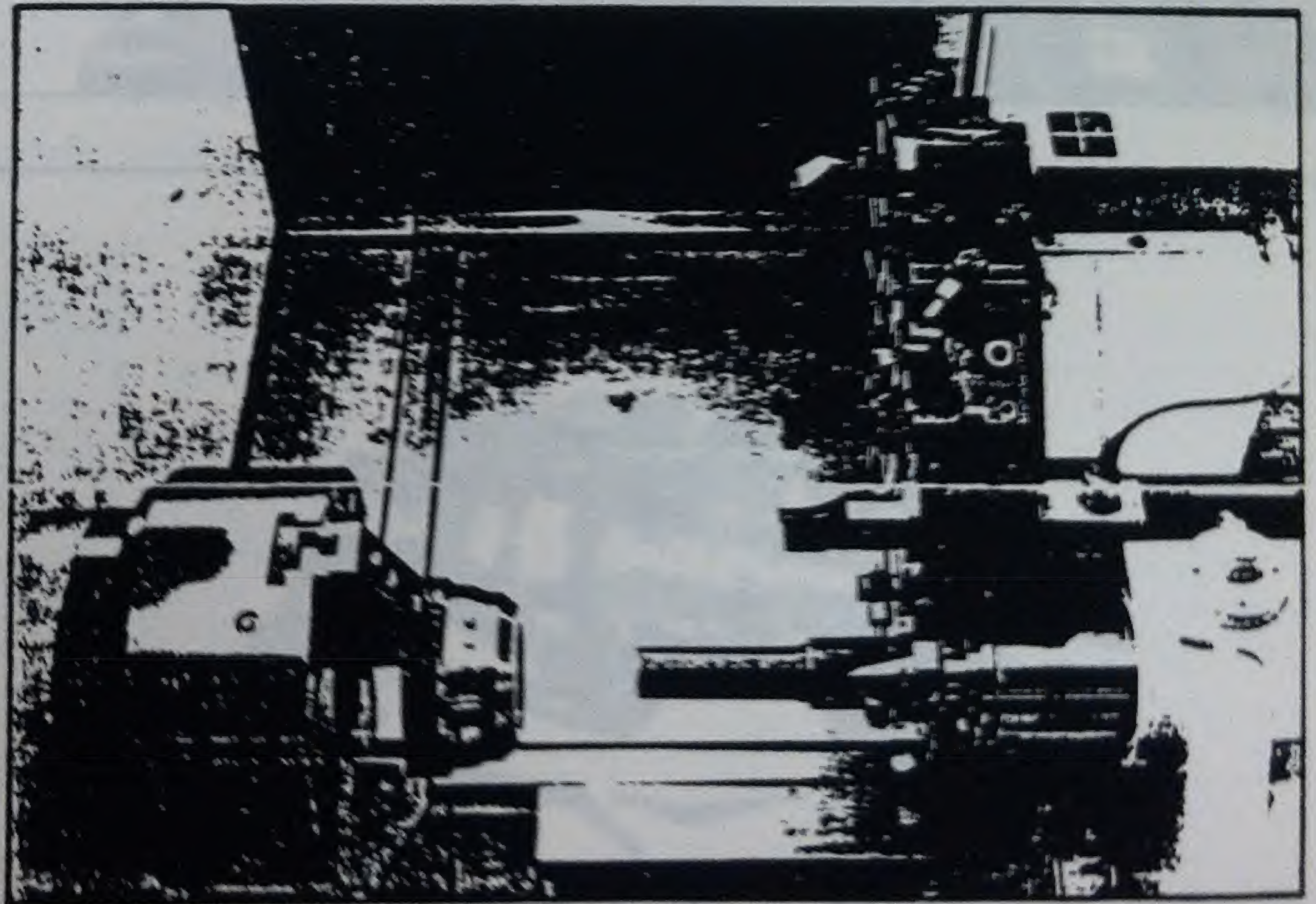
The tailstock base can be positioned manually using a latch to the axis carriage. Alternatively, automatic operation is available as an option via a wormscrew, motor drive and hydraulic clamping system, which enables the tailstock to be positioned both manually (using push buttons on the control station) and automatically within a part programmed cycle.



غراب الذيل

يركب غراب الذيل الاختباري على المسالك السفلية للفرس، وهو يستعمل لاسناد قطع السفل التي هي من نوع عمود الدوران وقصب رفيع. ويبلغ قطر عمود الدوران الأحوف 105 مم وطول الشوط 100 مم، وهو يعمل بقوة هيدروليكية.

يكن شريط موضع قاعدة غراب الذيل يربط باستعمال سقطة على محور الحاملة. وبطريقة بديلة، يتوفر التشغيل الأوتوماتيكي ضمن الوحدات الاختبارية ويتم عن طريق لولب دودي ومحرك تشغيل كهربائي ونظام كبح هيدروليكي. وهذه الطريقة تمكن من ضبط موضع غراب الذيل يدويا (باستعمال أزرار انضغاطية مركبة على مركز التحكم) أو أوتوماتيكيا ضمن دورة مبرمجة لهذا الغرض.



غراب الرأس ومحرك التشغيل ومحور الدوران

يركب محور الدوران لغراب الرأس من الجهة الأمامية في محامل اسطوانية مستندة ذات قطر ١١٥ مم لمحور الدوران ٦-٢١ بوصة، و ١٣٠ مم لمحور الدوران ٨-٢١ بوصة، وبما يعمل نظام صون بركة، ذو تحميل هيدروليكي سابق والسداد قطري هيدروليكي وخاص بمجموعة الحمل الخفيفة، يعمل على حساب أداء عال ومات خلال طاقى السرعات وتخصص الارتفاع الحراري إلى حد أدنى وتوفر أيضاً هذه الوحدة الهيدروليكية عنصر تحكم سطر على سطح سطحى رفيع الجودة

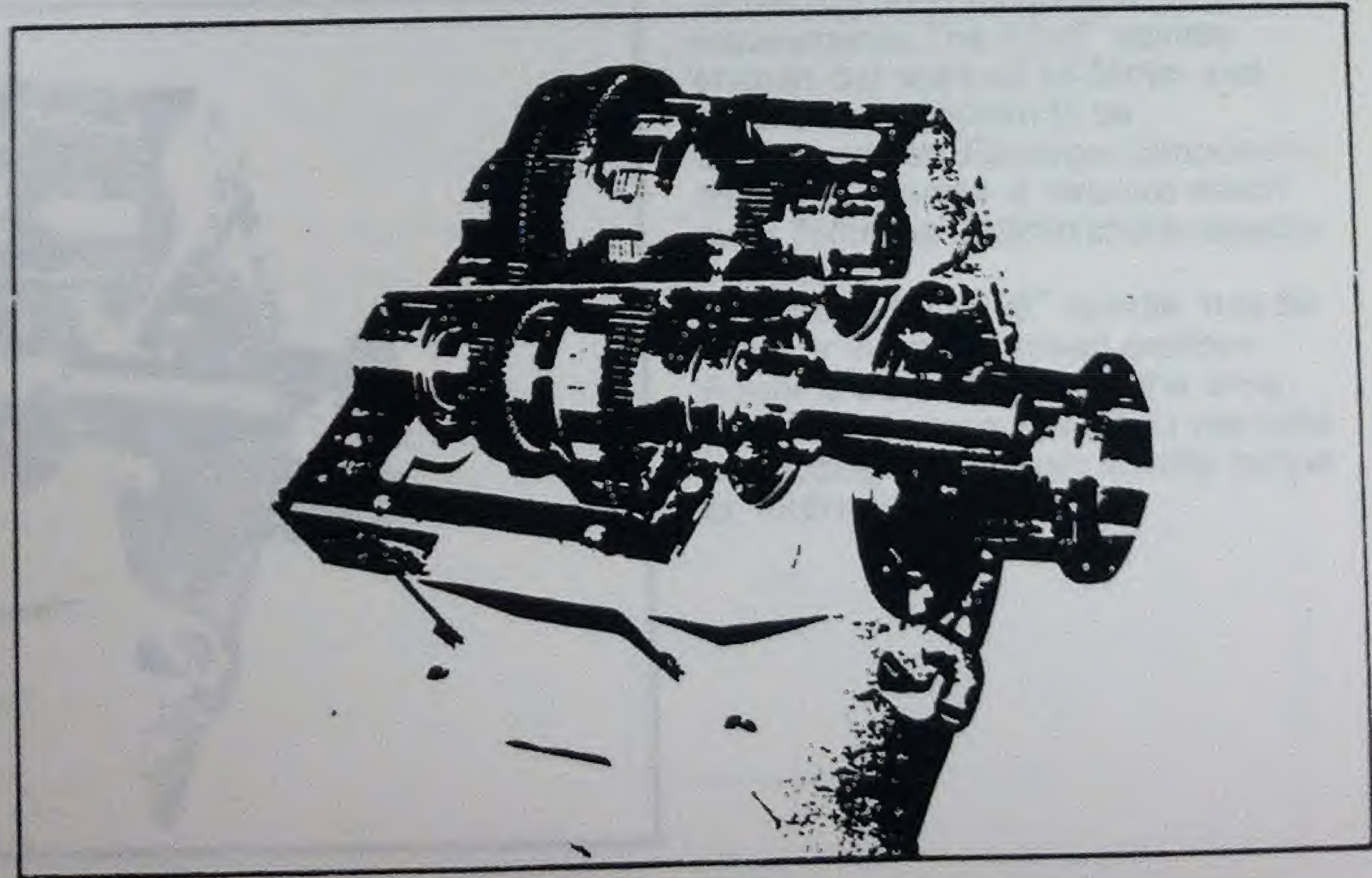
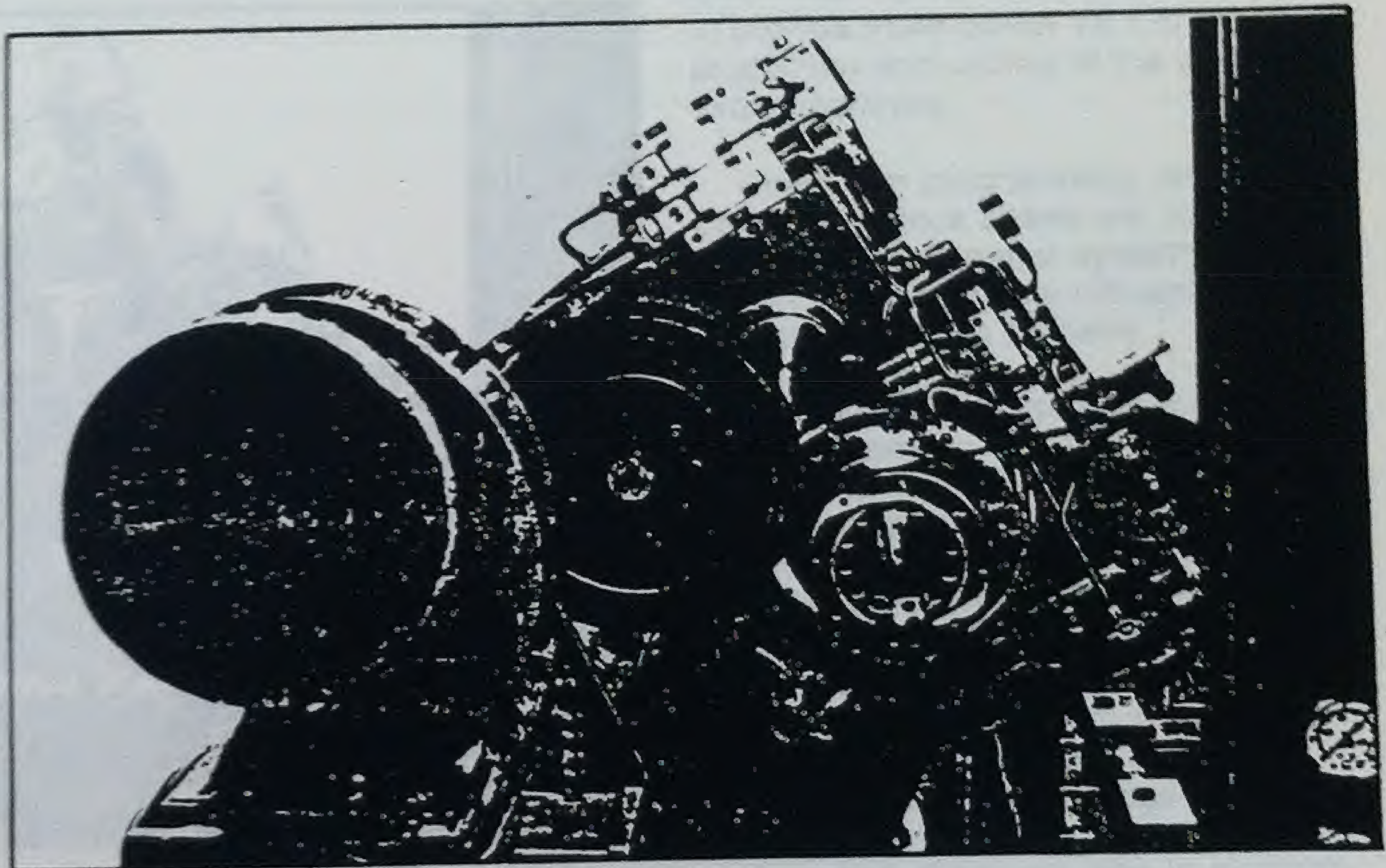
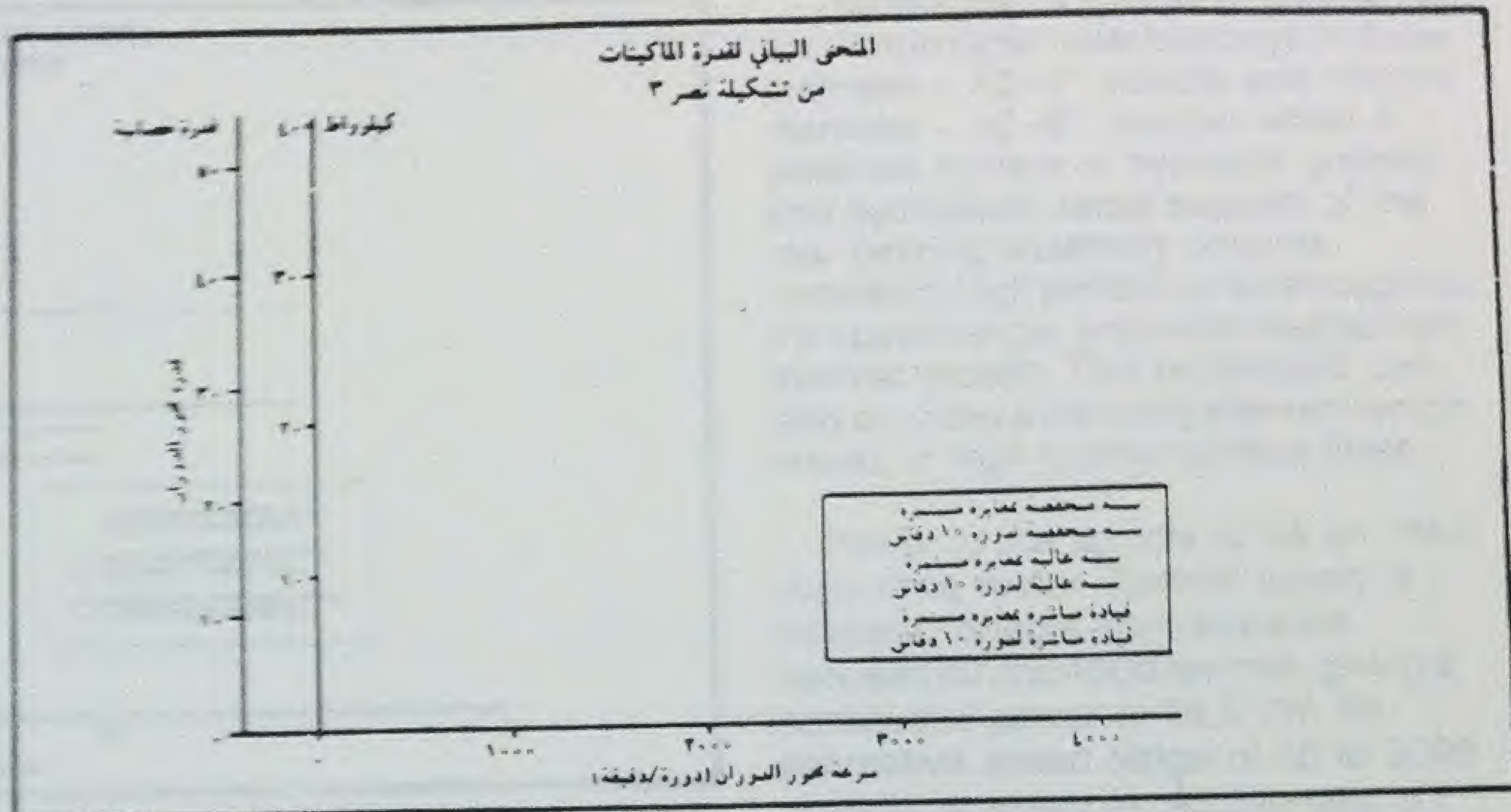
يستند محور الدوران قدرته من محرك تشغيل كهربائي رئيسي ذي قدرة ١٨ كيلووات، وسرعة محور الدوران قابلة للتغير بشكل غير محدود وقابلة للانعكاس وتتراوح بين ٥٠ و ٢٠٠٠ دورة/دقيقة وتوفر قدرة مستمرة تبلغ ١٦.٥ كيلووات وتوفر طاقى تدوير للسرعة يتراوح بين ٣٠ و ٣٠٠٠ دورة/دقيقة وعلاوة على ذلك، يعرض هذا محرك تشغيل كهربائي رئيسي قدرة ٢٥ كيلووات لتوفير قدرة إضافية عند الحاجة الإنتاج وقطع أحدث المواد المعالجة

إن البرجحة المباشرة لدرجة الدوران وسرعة السرعة السطحية هما من المميزات القياسية لنظام التحكم، كما إن كبح حركة محور الدوران هي من المميزات الجديدة مع أنظمة الكبح الطارئة والاستاتيكي

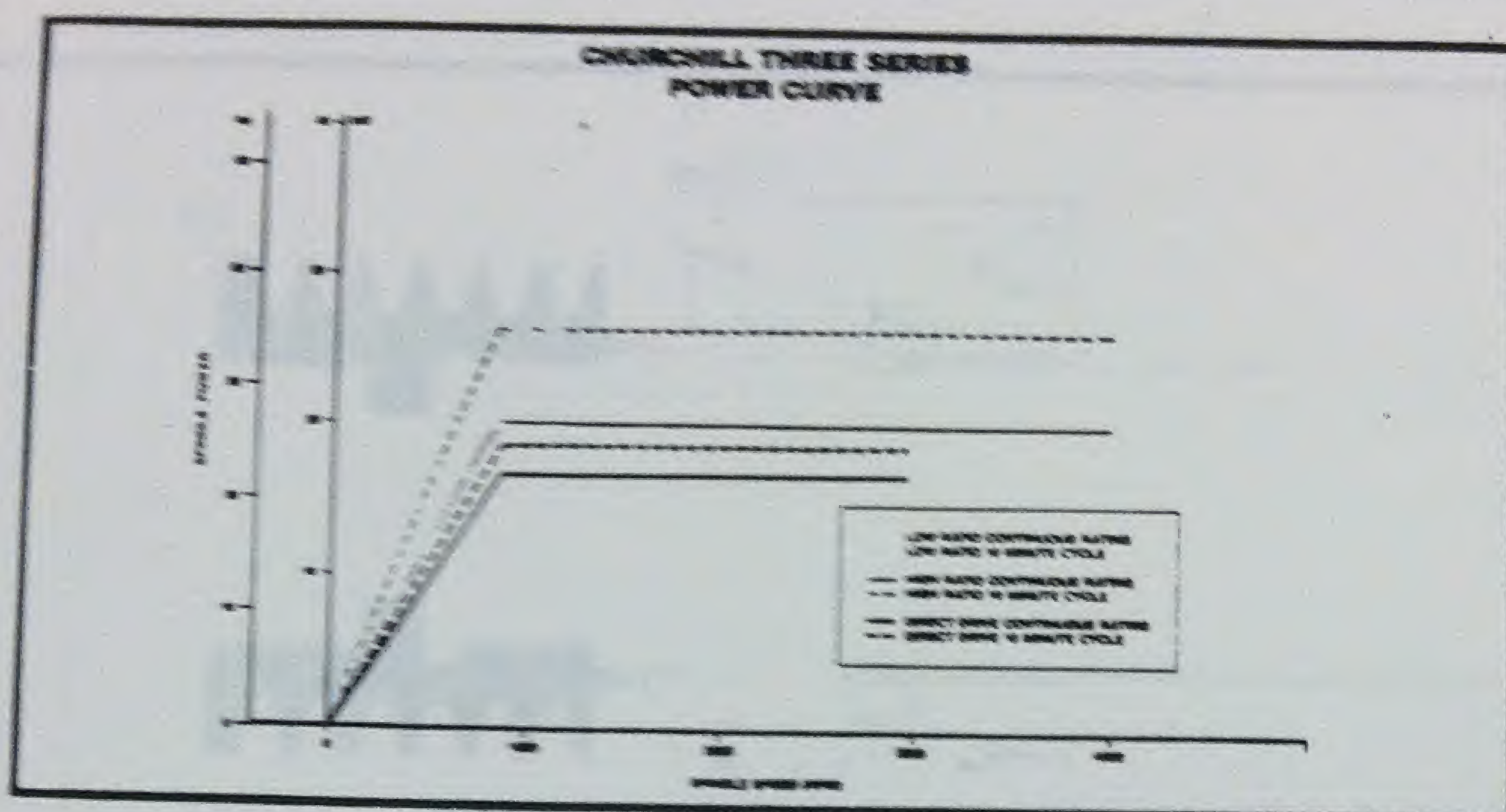
يتميز نظير الأحدثى سببى ضغط سببى أو بومبيك عن طريق الترميز الحرارى موضعى ضغط حسب حجم ملامسة الضغط الذى تتسبب ضغطه ضغطاً وحساباً يعمل الضغط المحقق ضغطه ويمكن ضغطه بضغطه حاداً سببى سببى أخرى بحيثته الأحدثى وهذا النظام مناسب لقطع الطرود المسطحة بأشكال متنوعة، كما في ذلك النوع الاسفلى الدائى القفل

محور الدوران متوفر بفتاحين، ويتم اختيار الفتاح المناسب وفقاً لمتطلبات الإنتاج فالمحور ٦-٢١ بوصة يمكن العمل على قسب ٦٥ مم واحتجاز طرف تدوير ٢٠٠ مم بينما لقطع العمل الأكثر متانة، يتم استعمال محور الدوران ٨-٢١ بوصة الذى يمكن من العمل على قسب ٢٥ مم وطرف سببى ٣٠٠ مم

يمكن اتصال الحركة إلى محور الدوران ٨-٢١ بوصة إما مباشرة أو عن طريق صندوق مساب سببى السرعة، وتتمثل الطاقة من محرك التشغيل الكهربائي إلى بكرة صندوق المساب بواسطة ستة أحزمة مخروطية المنقطع تزود محور الدوران بمرء دوران يبلغ أفضاه ١٠١٨ نيوتن متر



Headstock, Drive Motor and Spindle



The headstock spindle is mounted at the front in taper roller bearings (115mm diameter – A2-6" spindle and 130mm diameter – A2-8" spindle) whilst a patented system of hydraulic preload and hydrostatic radial support of the rear bearing assembly ensures consistent high performance throughout the speed range, and minimises spindle thermal growth. This hydrostatic unit also provides a damping element which results in high quality surface finish.

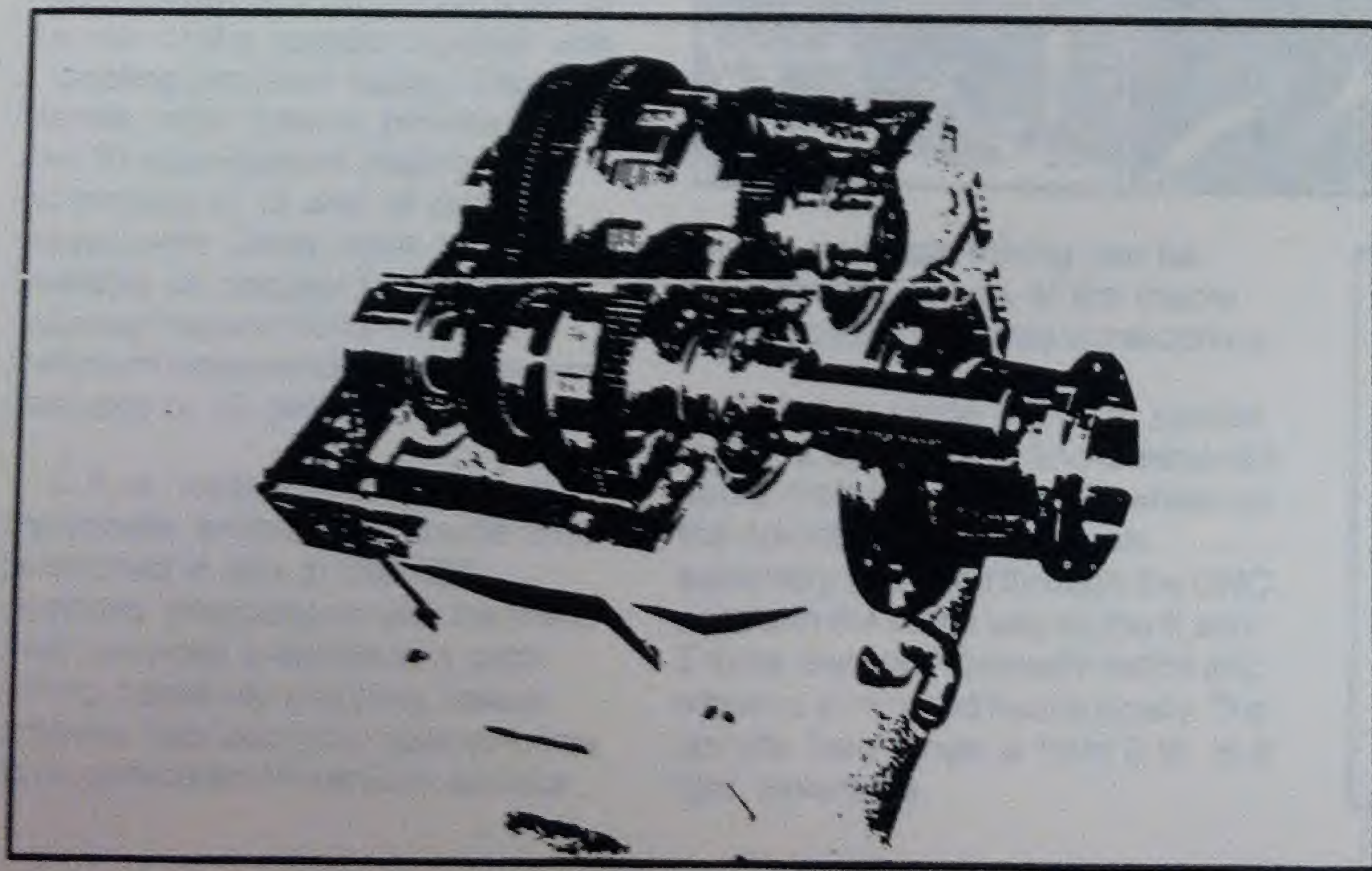
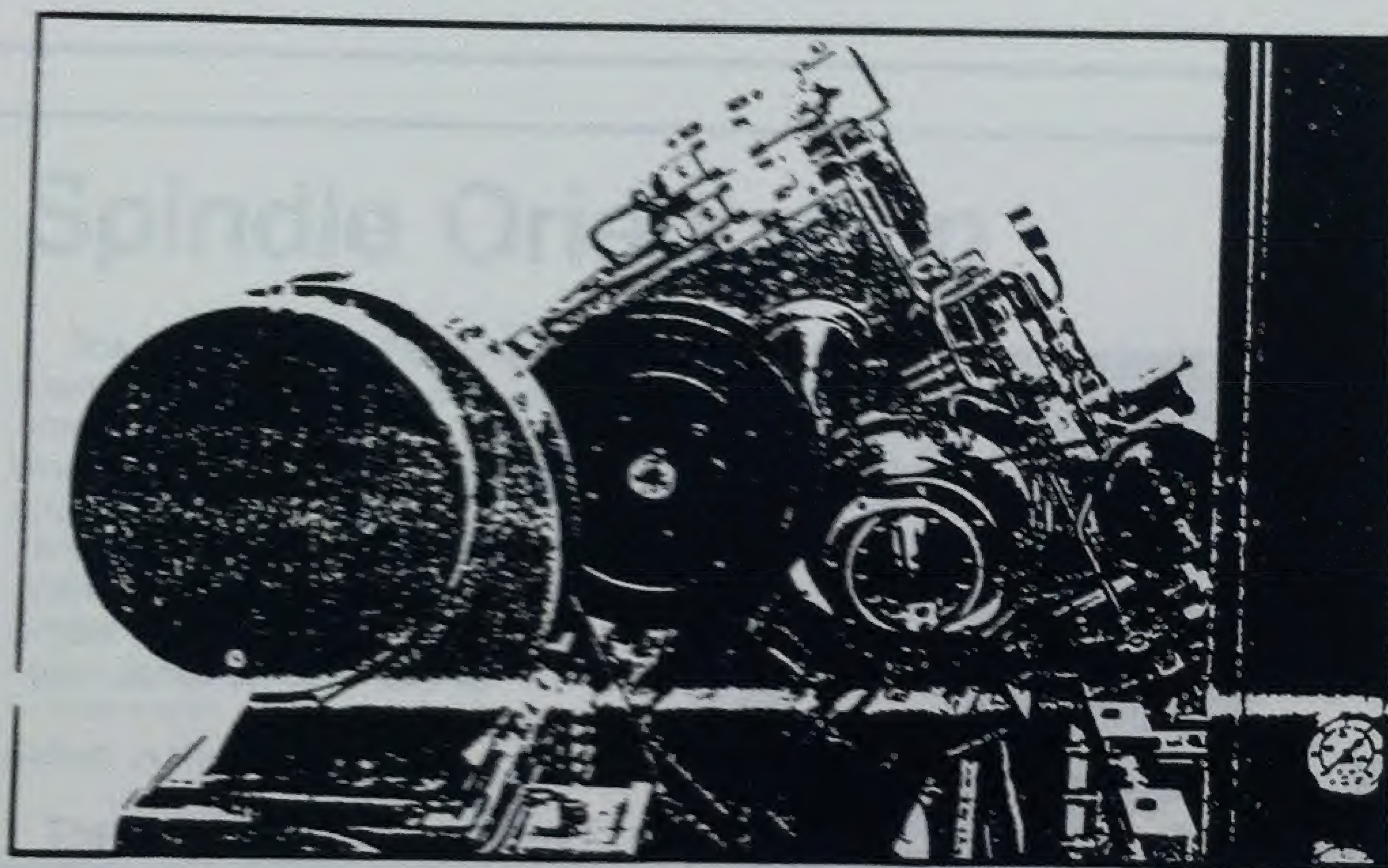
Power to the spindle is via an 18kW main drive motor. Spindle speed is infinitely variable and reversible between 40 and 4000 rev/min, giving a continuous power of 16.5 kW. An alternative speed range of 30 to 3000 rev/min, is available. Additionally, a 24kW main drive motor is also offered to provide more power for increased production and cutting of the latest exotic materials.

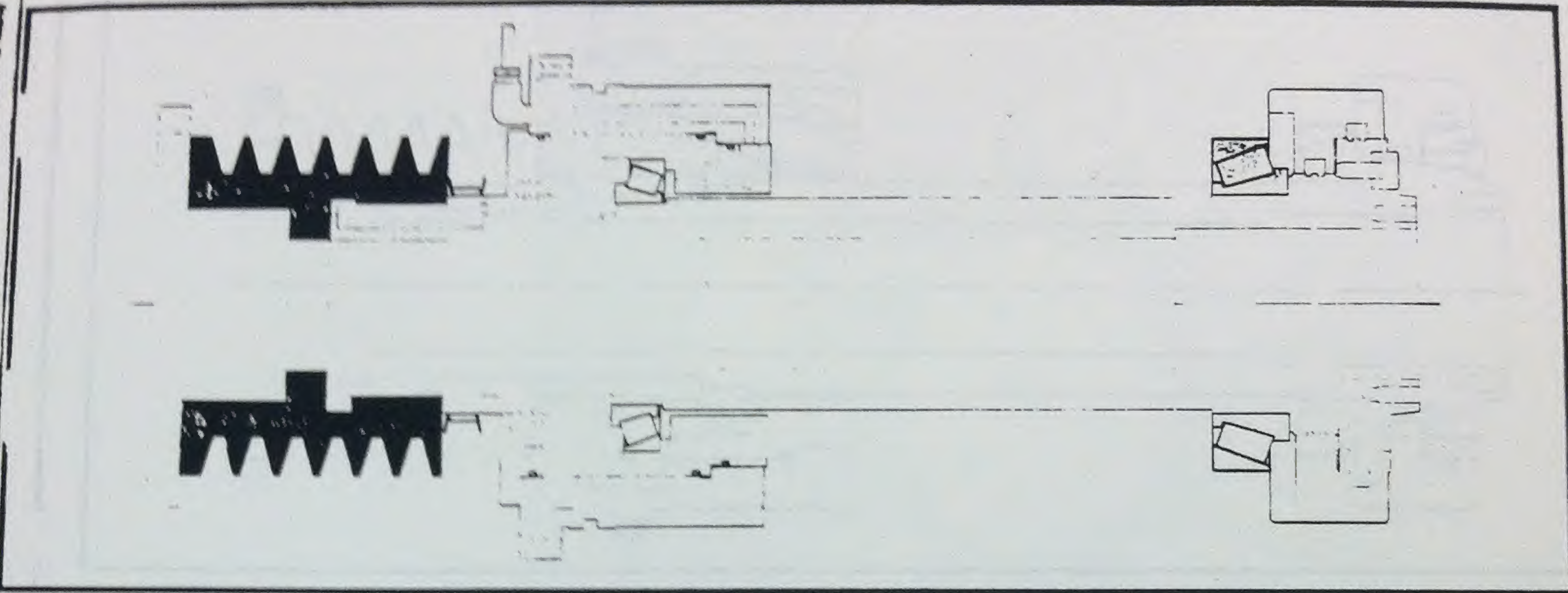
Direct rpm programming and constant surface speed are standard features of the control system. Spindle braking is regenerative with emergency and static braking systems.

Optional dual pressure chucking allows automatic selection via the part program of two pressure settings. High pressure may be selected to rough machine the component for instance, with low pressure used for finishing. It may also be used to particular advantage when machining thin walled components. This system is suitable for most drawtube operated chucks, including self-locking wedge types.

A choice of spindle size is available depending upon production requirements. The A2-6" spindle enables bar work up to 65mm and chucks up to 200mm to be accommodated. For larger components the A2-8" spindle is required which gives 76mm bar, 315mm chuck capacity.

Drive to the A2-8" spindle may be direct or via a two speed gearbox. Power is transmitted from the drive motor to gearbox pulley via six vee belts developing a maximum spindle torque of 1018Nm.



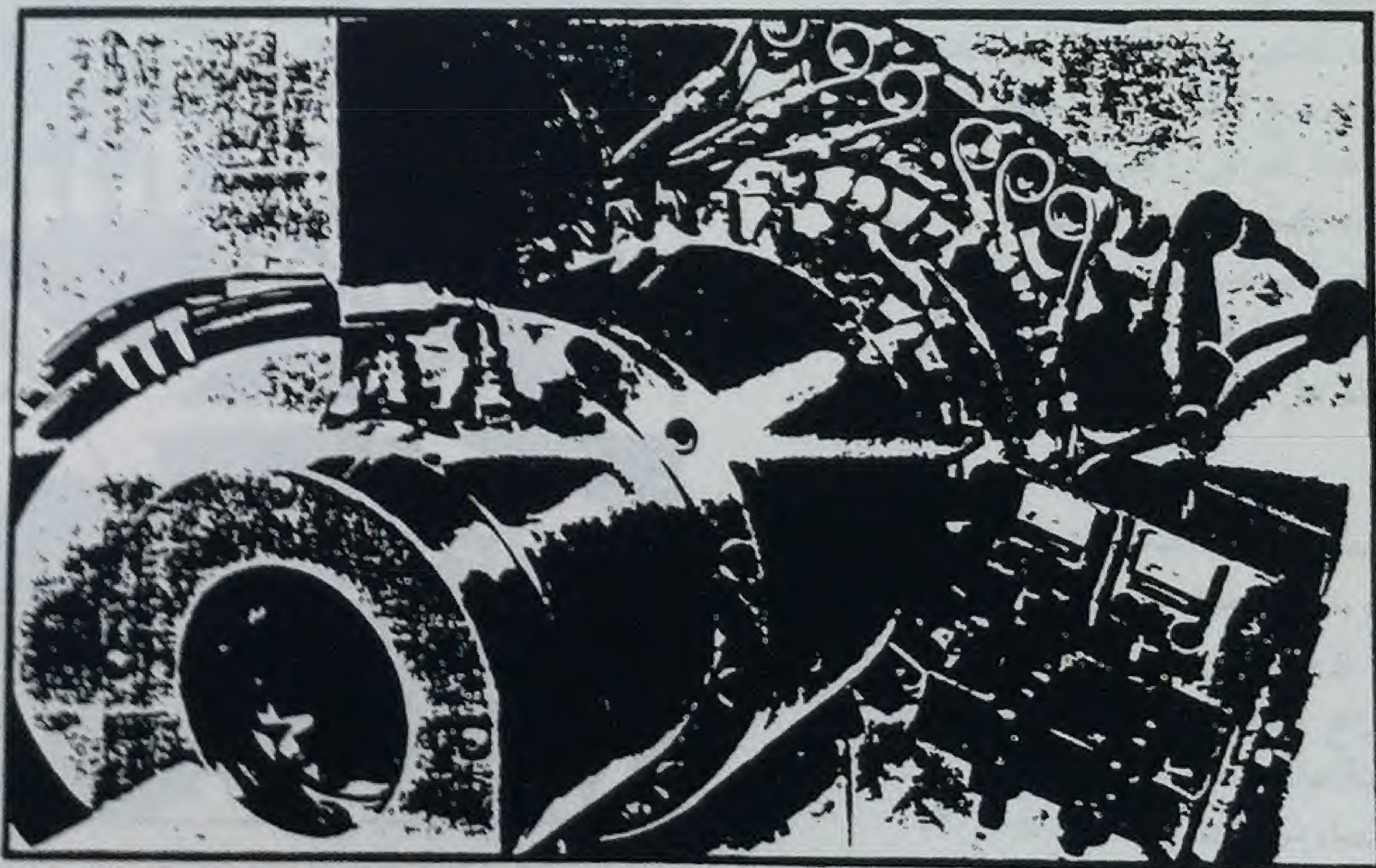


Spindle Orientation

The Churchill THREE Series has a turret mounted driven tool capability which necessitates the use of spindle orientation for precise positioning and location of the component. Two options are available depending upon user requirements – either a simple index plate to give a dividing head facility, or full C axis for bidirectional rotational CNC feed control of the spindle.

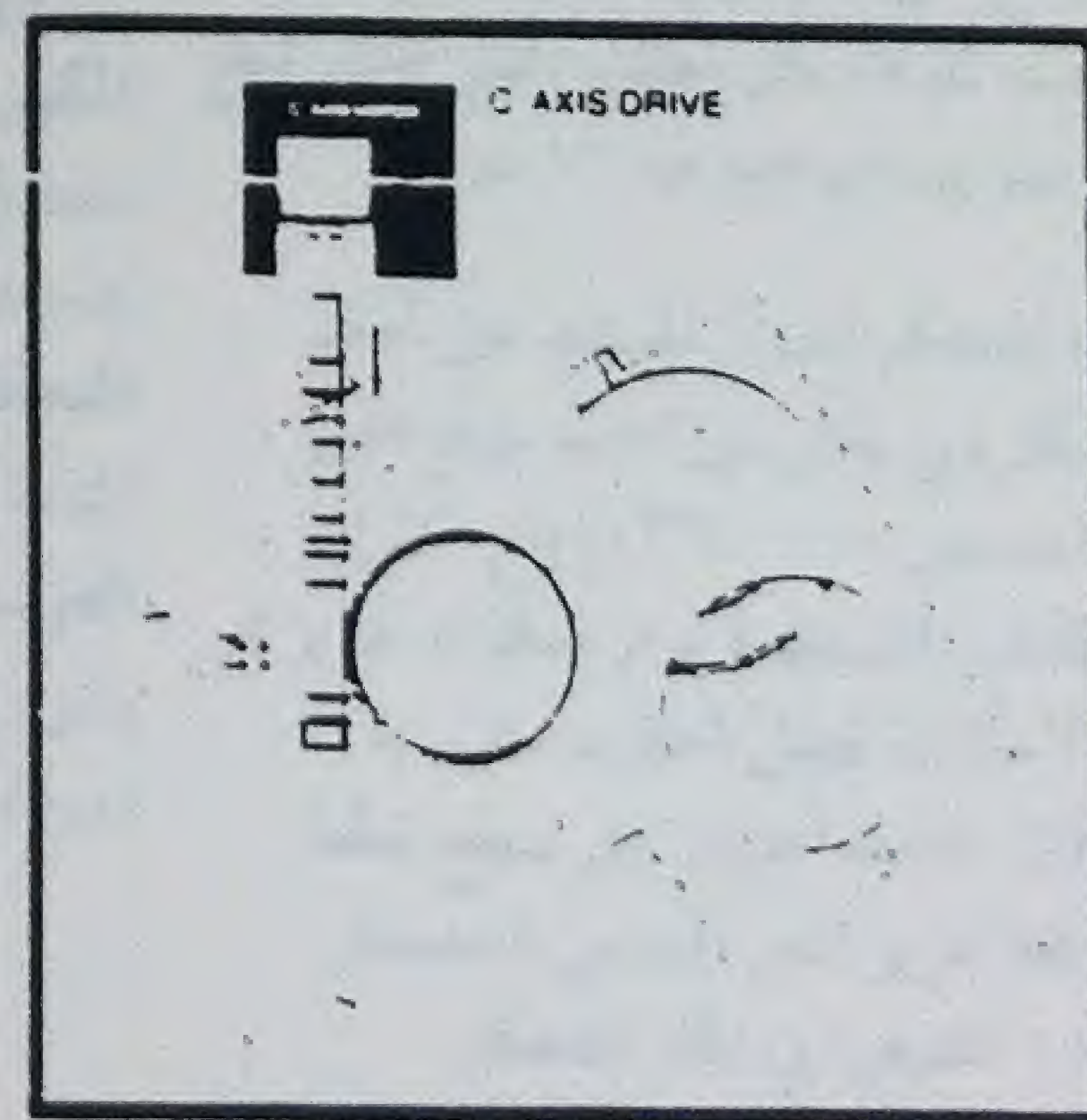
The low cost alternative, using mechanical indexing, utilises an interchangeable index plate fitted at the rear of the spindle together with a locating shot-bolt facility. Standard spindle index options provide for 24 and 30 equi-spaced positions in increments of 15 and 12 degrees respectively. Other index plates are available on request to meet any indexing requirements down to a minimum incremental angle between positions of 12 degrees.

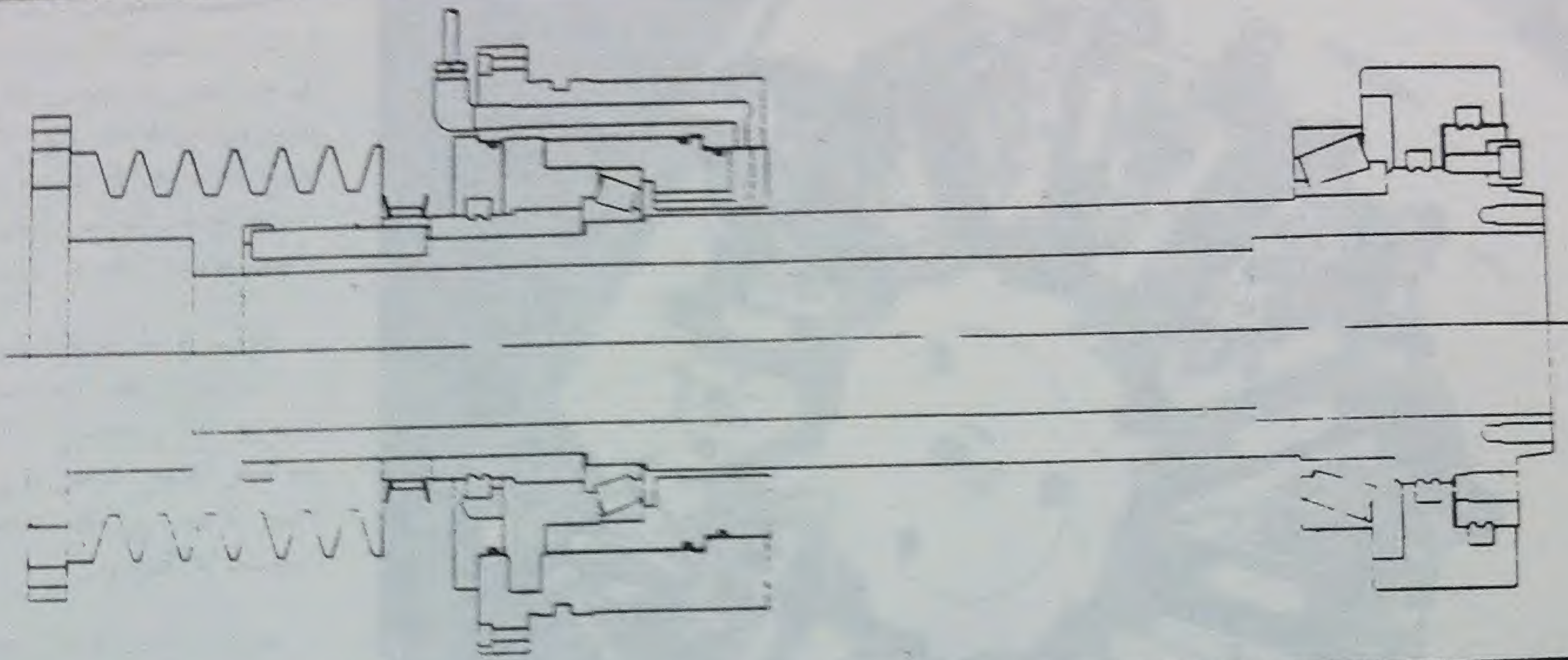
C Axis, rotational CNC control of the spindle, enables the spindle to be positioned in any of 360,000 positions. Interpolation with the linear axes provides a continuous path milling capability enabling helical grooves, flats and other special forms to be generated on the work surface.



Continuous path milling can be programmed by use of the macro cycle facilities available in the control.

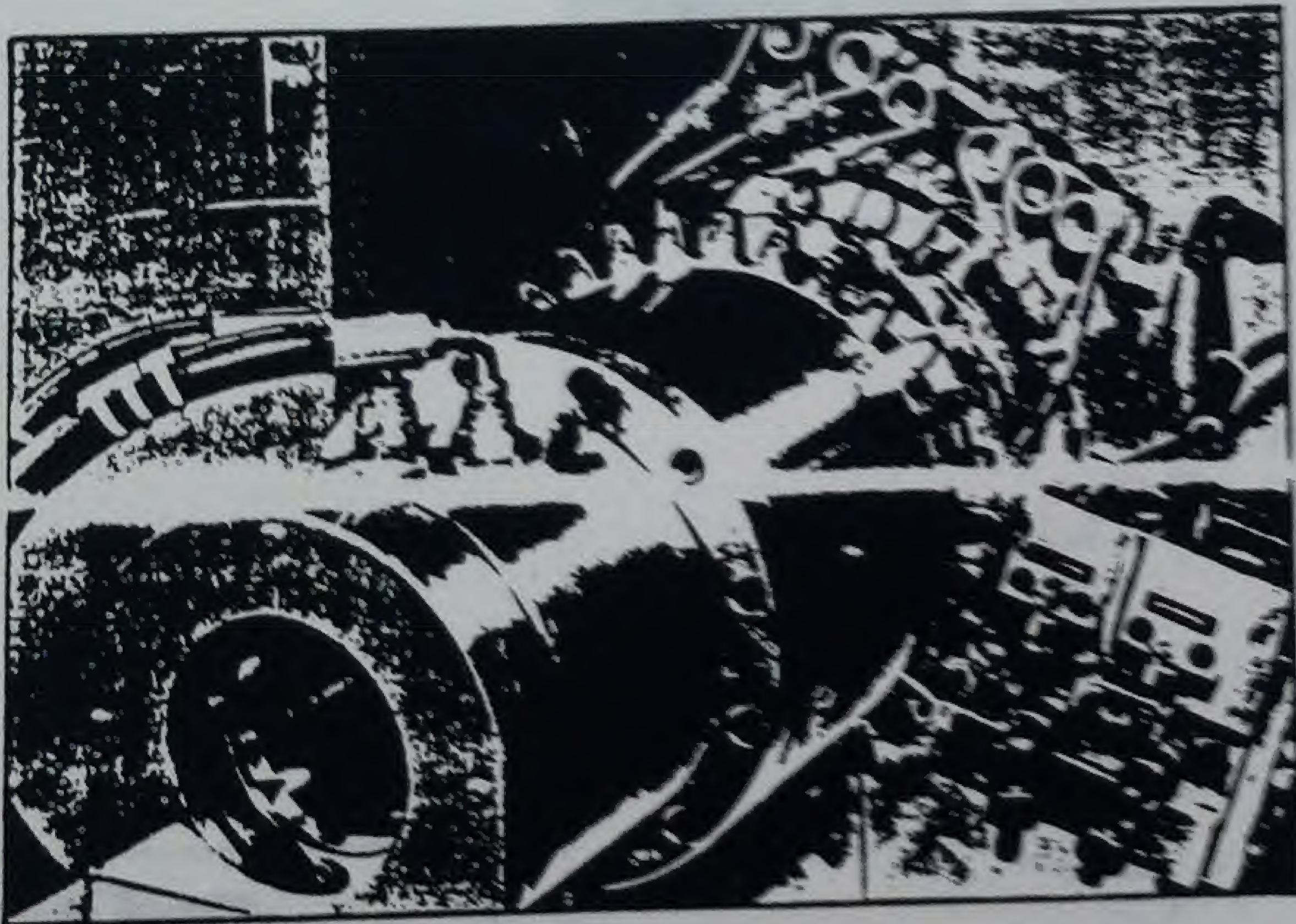
In C Axis mode the main spindle motor is declutched, and a separate servo motor drives a wormwheel on the spindle by pivoted worm assembly, operated through the CNC control in the same way as the X and Z axes. Backlash between worm and wheel is eliminated hydraulically. The spindle feed range is from 0 to 16.6 rpm, reversible.





توجيه محور الدوران

لماكينات تشكيلة قصر ٣ إمكانية تشغيل أدوات سطح مسيرة، وهذه تتطلب وسيلة لتوجيه محور الدوران مع تحقيق ضغط صحيح لوضعية وموقع قطعة السفل. توفر اختياران لهذا الغرض، اعتماداً على متطلبات جهة المستعملة للماكينة، وذلك إما بواسطة لوحة دليلية بسيطة توفر وسيلة رأس تقسيبي، أو بواسطة محور حـ «تام للتحكم في تغذية محور الدوران تحكماً ثنائياً تحاد دوراً وقائماً على تحكّم قسم واحد فقط».



في الطريقة البديلة معتدلة التكلفة التي تستعين -بإل ميكانيكي، يتم استخدام لوحة دليلية قابلة لتعديل تركيب في مؤخرة محور الدوران مع وسيلة مسمار حتى لتحديد الموقع. وتوفر اختيارات الدليل القياسي محور الدوران إمكانية لتحديد ٢٤ و ٣٠ موقعا -ساعات فارقة متساوية وذلك بزيادة تبلغ ١٥ و ١٢ درجة فيما بين المواقع على التوالي. وتتوفر الواح دليلية حرة، عند الطلب، للوفاء بأي مطلب دليلي الذي تبلغ -من زاوية زيادة فيما بين المواضع فيه ١٢ درجة.

إن محور حـ «تام للتحكم الدوار المستند على تحكّم ثنائي بحاسب الكتروني يمكن من تحديد موقع محور دوران في أي واحد من ٣٦٠ ٠٠٠ موضع، كما إن -استكمال مع المحاور المستقيمة يوفر إمكانية تفريز ممر مستمر، مما يتيح الامكانية لعمل أخاديد حلزونية -سطحات وأشكال خاصة أخرى على سطح قطعة -شغل. ويمكن برمجة تفريز الممر المستمر باستعمال -سائل دورة الماكرو المتوفرة في نظام التحكم.



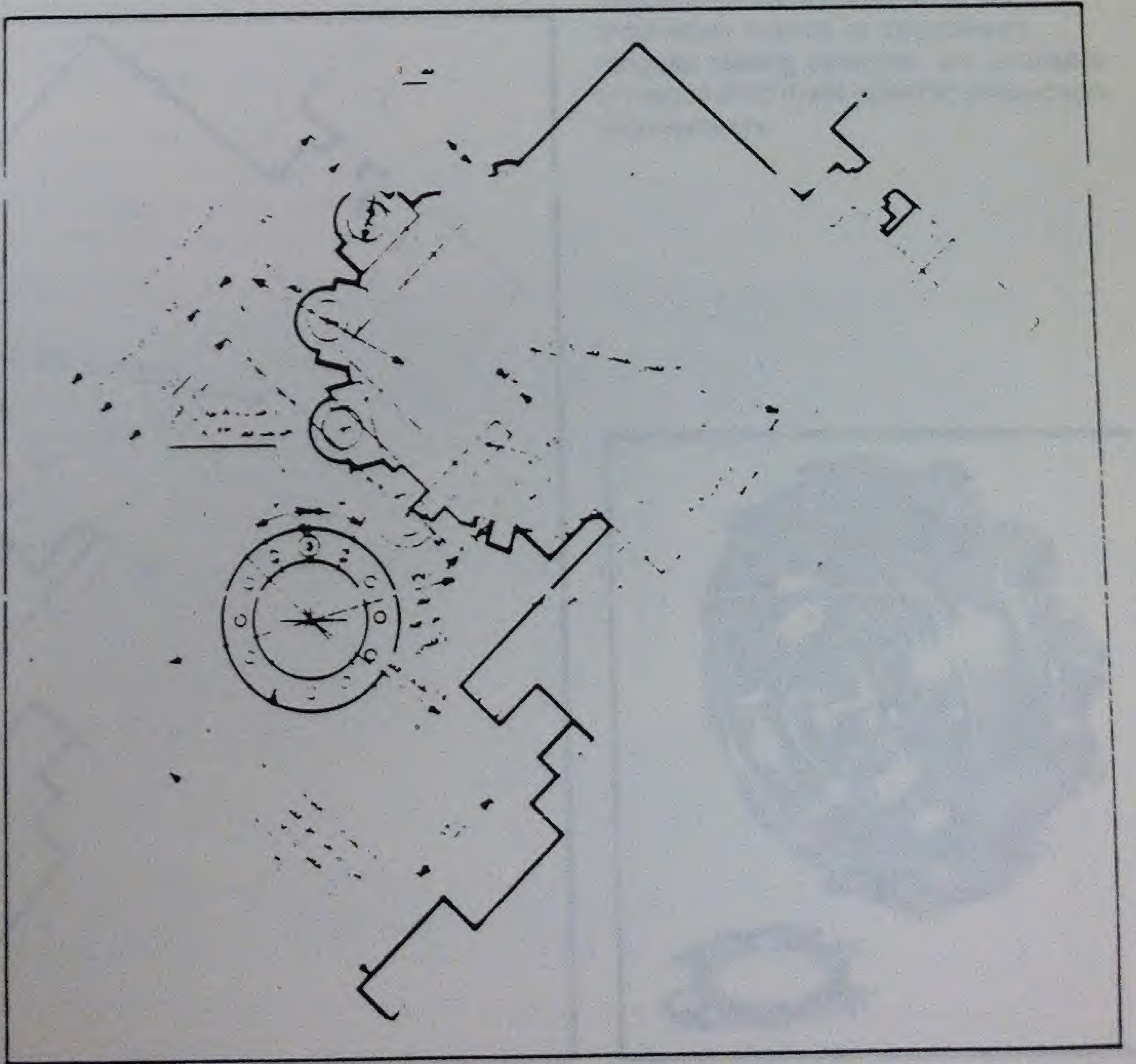
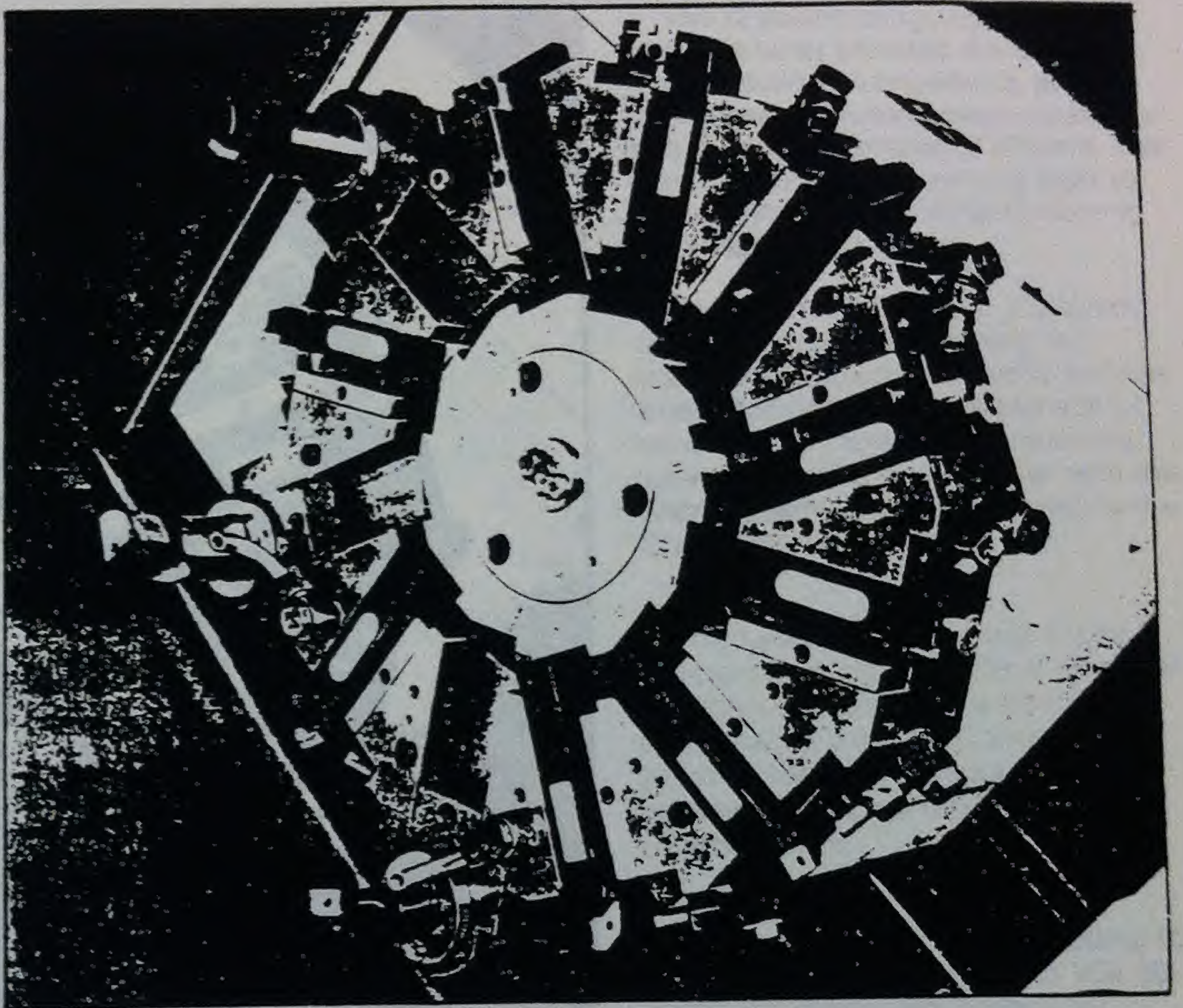
وفي نسق المحور حـ «تام» يتم فك قابض المحرك الكهربائي الرئيسي لمحور الدوران ويتولى محرك مؤازر منفصل قيادة عجلة دودية على محور الدوران بواسطة مجموعة دودية مرتكزة على محور تشغيل من خلال التحكم الرقمي بالحاسب الالكتروني بنفس الطريقة المنبثقة للمحورين السيني والعمودي. ويتم التخلص من الفوت بين الدودة والعجلة بطريقة هيدروليكية. وتتراوح سرعة تغذية محور الدوران بين صفر إلى ١٦.٦ دورة/دقيقة، وهي قابلة للعكس.

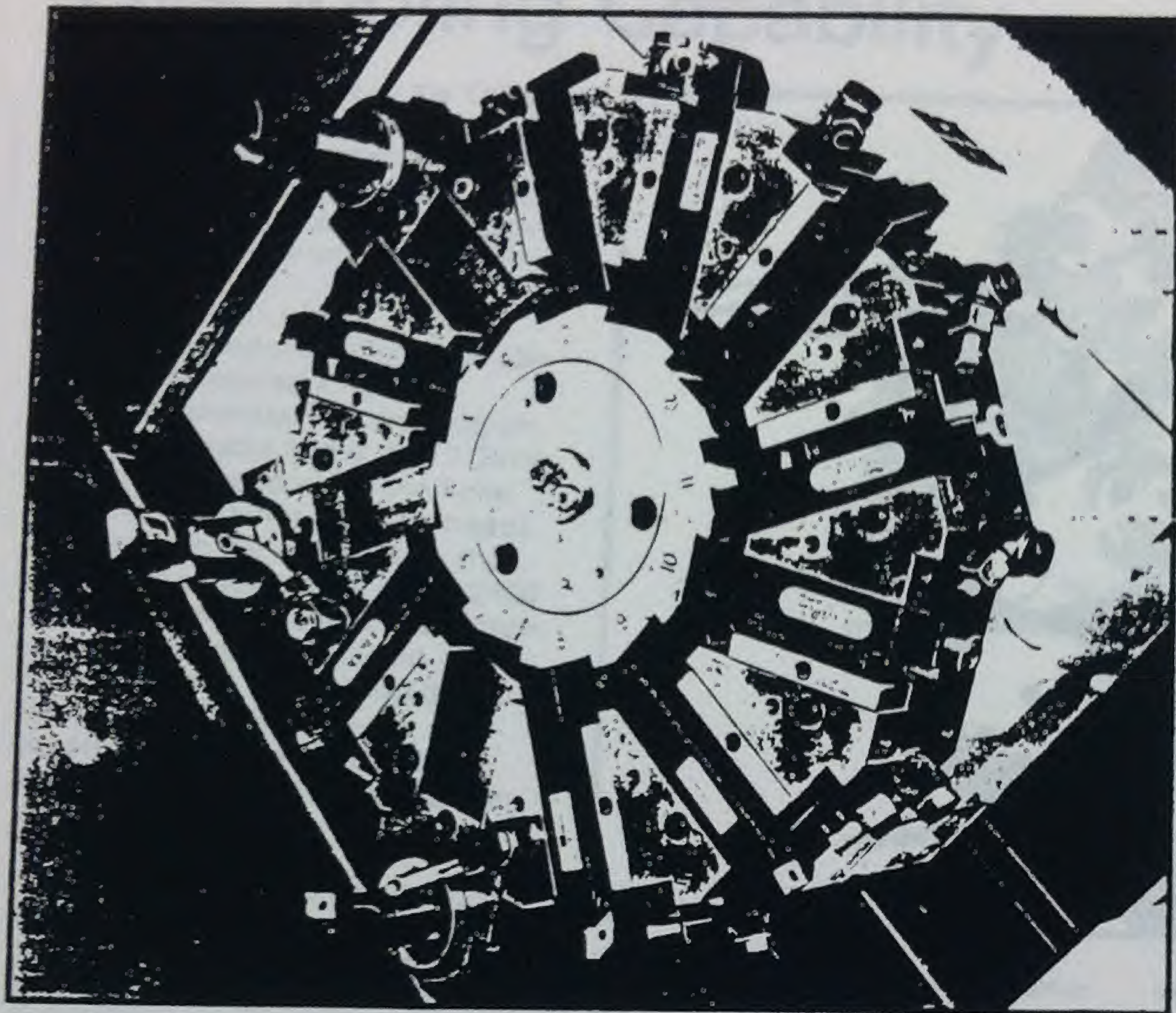
التصميم المصنوع ذو ١٢ مركزاً للبرج القياسي يقع في تناول مستعمل الماكينة ترتيباً مربوياً للأدوات، ويرتد إلى حد أقصى من خلوص الطرف / قطعة السهل، ويمكن من حراطة قطر يبلغ ٣٧٠ مم وتستعمل في البرج أدوات حراطة مصممة وفق مواصفات المنظمة الدولية لمؤحد المقاييس لساق الأداة ٢٥٢٥، أو كحل تكيف لقصص التحريك بربط بوسطة البراغى

يقع البرج على فوهة أساس وجهه يقع قطره ٣٠٠ مم يوفر قصى دفعه ٥٠٠ كجم، وله زمن تدلي سريع في ١٨٠ درجة يبلغ ٣٠ ثانية وترتدده الأداة فقد جعل الدليل البرغى ساقى الأداة حيث تحددت في «الممر الأقصر» بوسطة برنامج تحكم رقمي بالحاسب الإلكتروني

تحرك البرج في حادى حادى من سببي وأقصى بوسطة مجموعات تآكلية في السوية بقطر ٥٠ مم، وتحمته مستند، وهي تستند نفسها من تحركات معقدة لتتحرك وحده ١٨٠ درجة، وتعمل على تعديل سرعة تدويرها ١٩ سرعة تدوير مع ١٠ درجات سرعة مختلفة بوسطة التحكم بعدة ترتيبات لتتنوع

توفر عند الطلب وتسته منتجات الأتاج المعينة، مجموعة من الأبراج لسمل برجات ١٠ مراكز وقرصى النوع وفقاً لمواصفات «إي دي إن ٥٠» الخاصة بالأتاجة في توفير معدات الحشد لبرج البرج ذات الأبراج مسجلة من شركة «إي دي إن» بربط



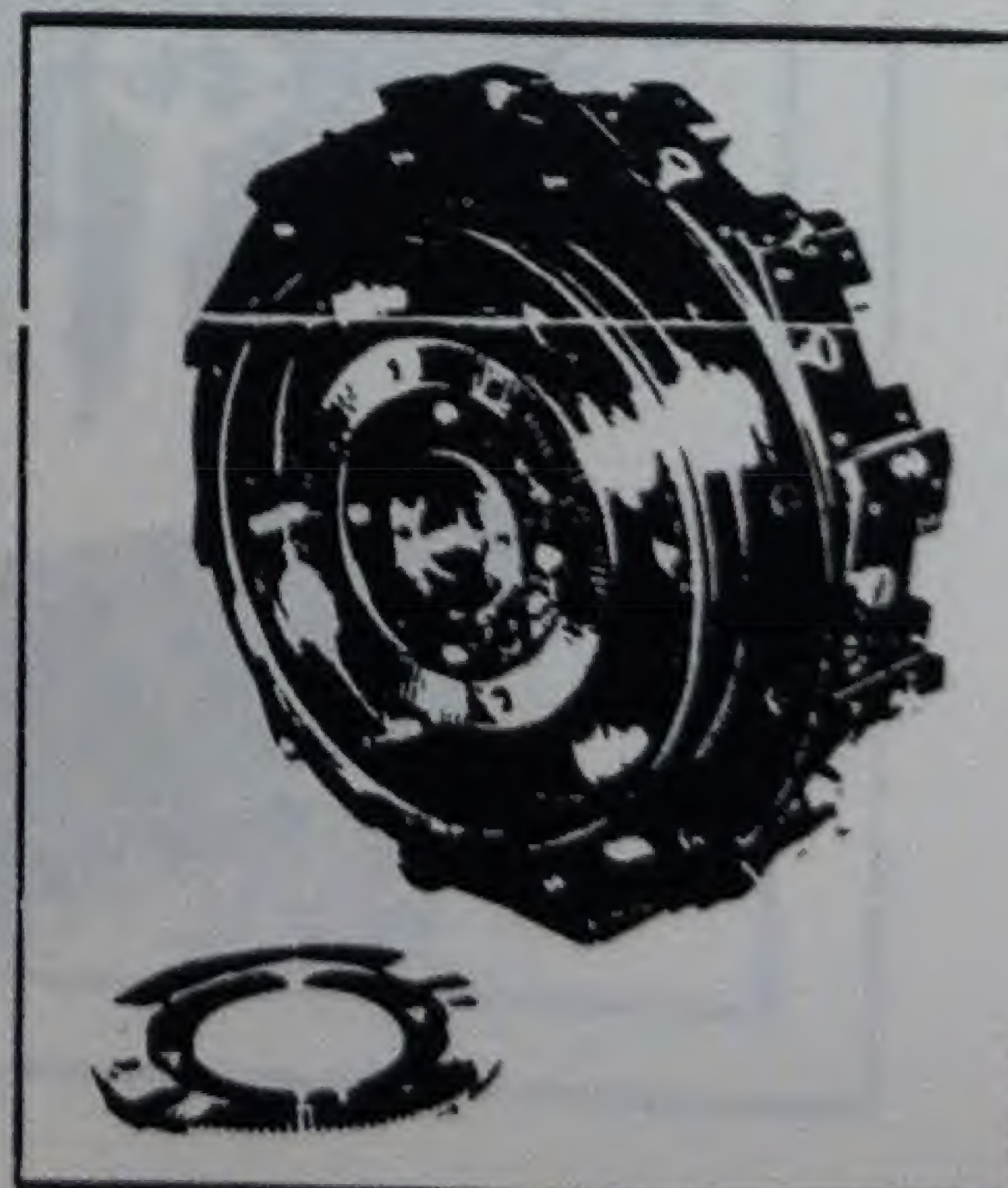
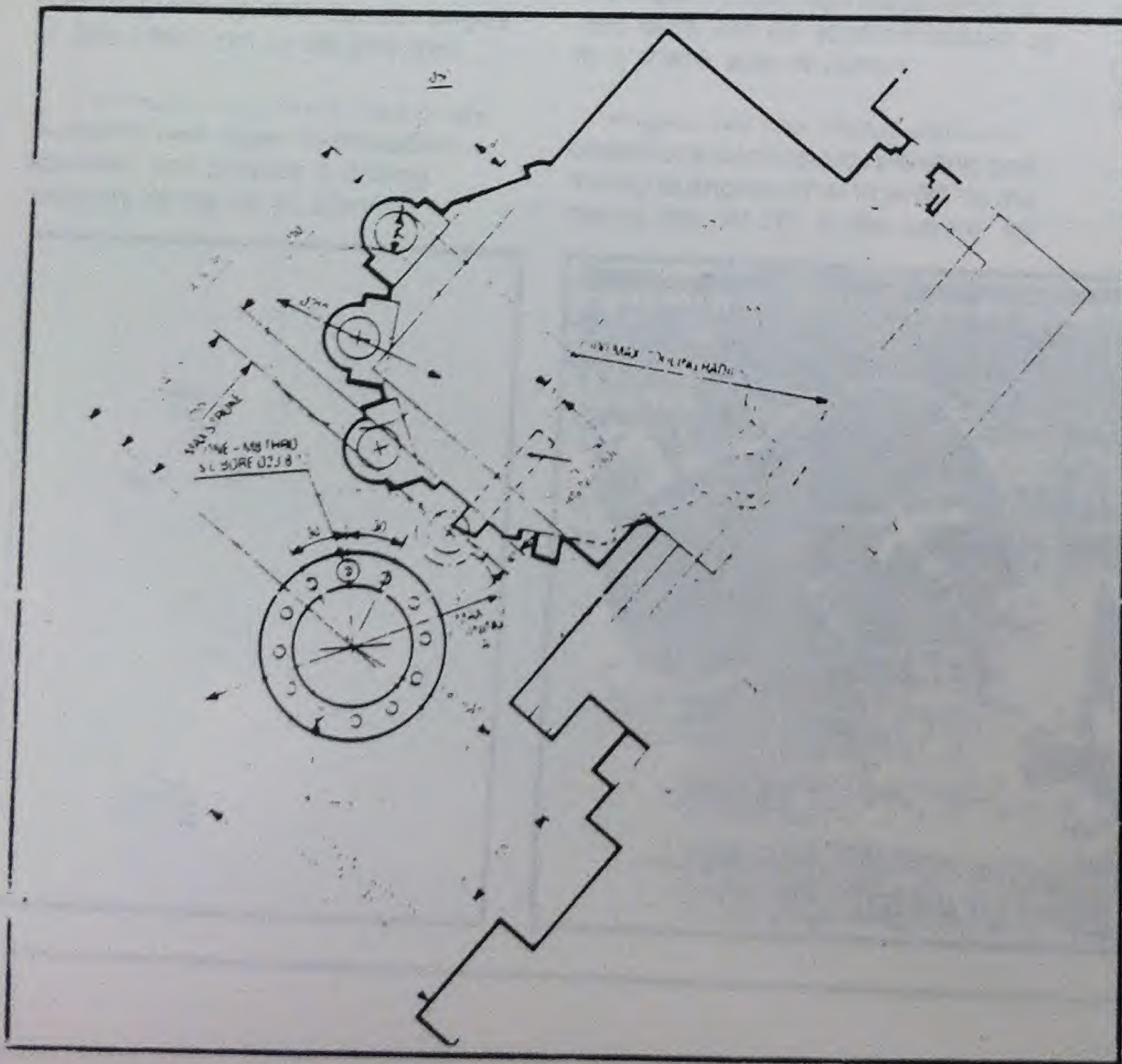


The 12 station polygon design of the standard turret provides the user with flexible tooling arrangements and maximises chuck/component clearance with a turning diameter of 370mm. The turret accommodates turning tools to ISO tool shank 2525M, or bolt on boring bar adaptor blocks.

The turret is located on a 200mm diameter face tooth coupling for maximum accuracy and rigidity, and has a rapid 180 degree indexing time of 3.1 seconds. For increased productivity, turret indexing is bi-directional with the shortest path always determined by the CNC control software.

The turret is driven in the X and Z direction by preloaded 40mm diameter ballscrew/nut assemblies from high performance 0.9 kW AC brushless servo motors, with integral encoders providing positional feedback to the control system.

A range of turret options, including 10 station and disc type turret to VDI 50 standards, along with options for adaption of the turret disc to suit proprietary brands of specialised modular tooling systems, are available on request to meet specific production requirements



Live Tooling Capability

The flexible nature of the THREE Series is further demonstrated with the live tool turret, extending production capabilities to cover cross milling, drilling, tapping, pitch circle diameter drilling, and keyway slotting applications.

Axial and radial live tool heads can be accommodated in up to 6 alternate turret stations, driven by an infinitely variable heavy duty 7.5kW AC motor located within the turret housing. The turret mounted heads connect with the output drive shaft which has a speed range of 240-2400 rpm. Both shaft speed and direction are programmable. Included in the drive system is an anti-stall device which reduces the feedrate automatically if the motor current exceeds 80% of the peak amplifier current available.

Standard live heads accommodate a range of tooling and provide a maximum speed of 2400 rpm for radial heads, whilst axial heads incorporate spur gearing and can be supplied with spindle speed ranges of 288-2880 rpm or 96-960 rpm.

The radial live tool heads are available with taper or threaded spindles and provide a drilling capacity range up to 20mm.

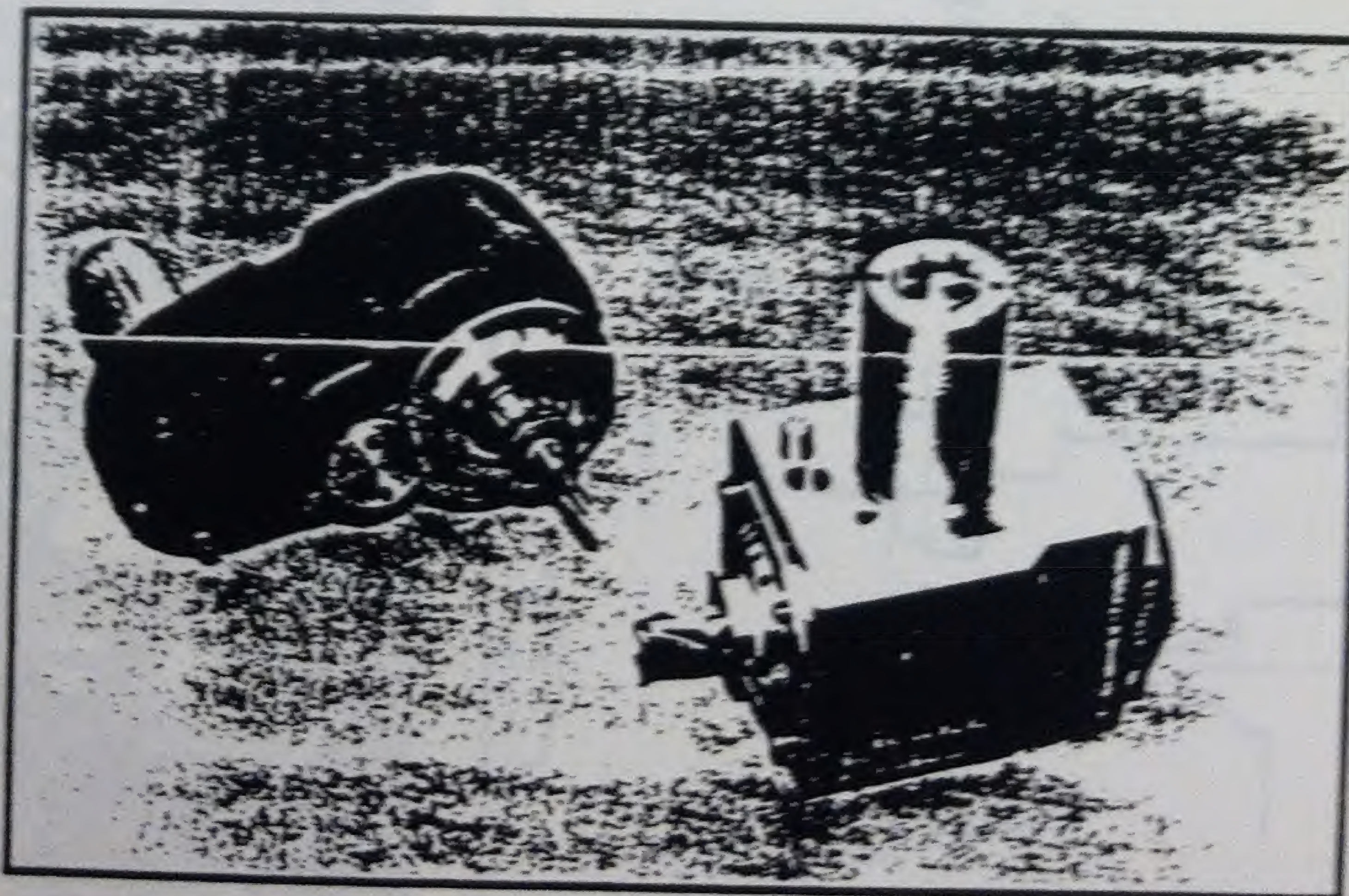
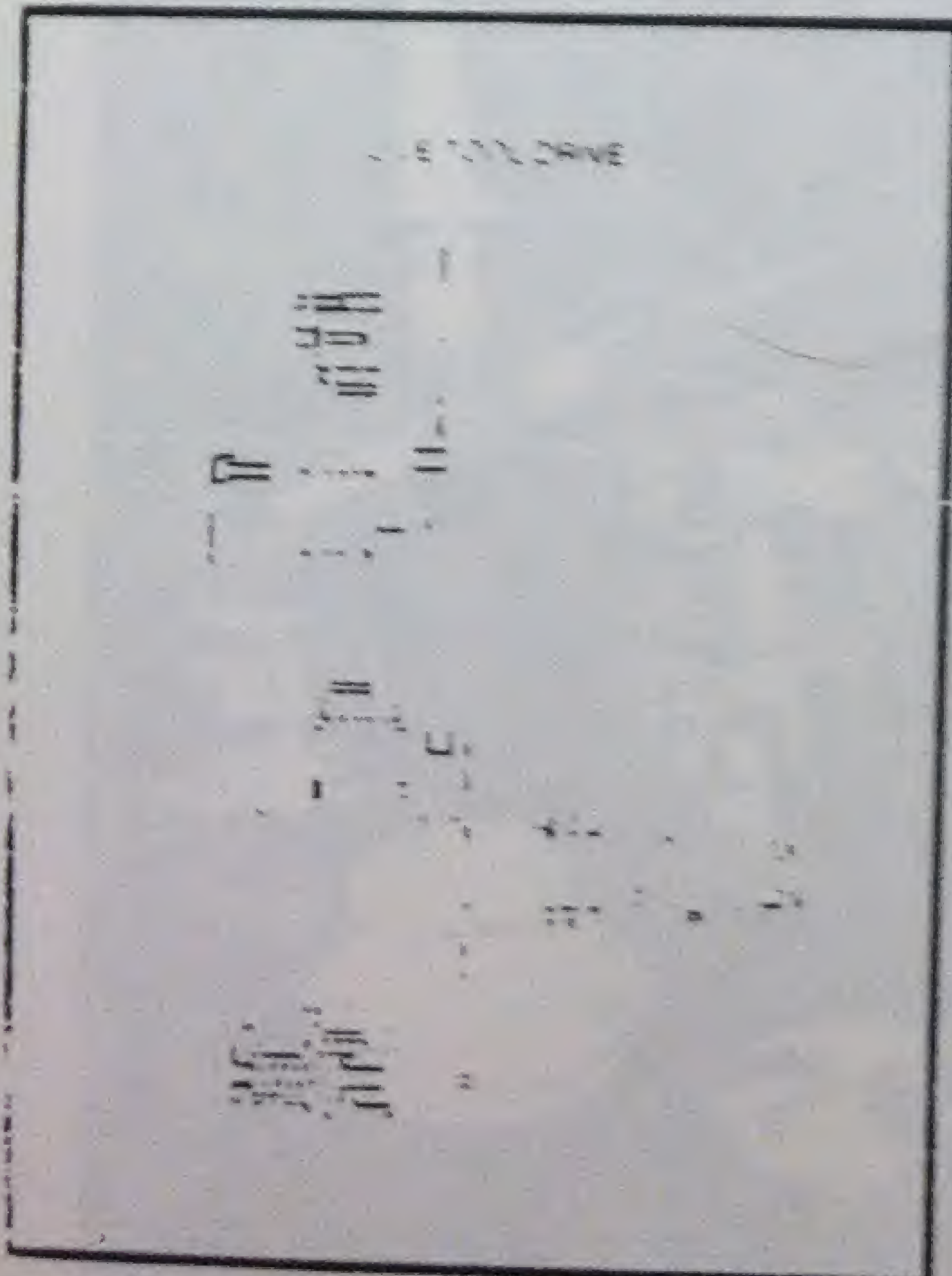


Through the tool coolant is another option offered with live tool heads. U drills and other high metal removal rate tools can be accommodated up to a shank size of 25mm.

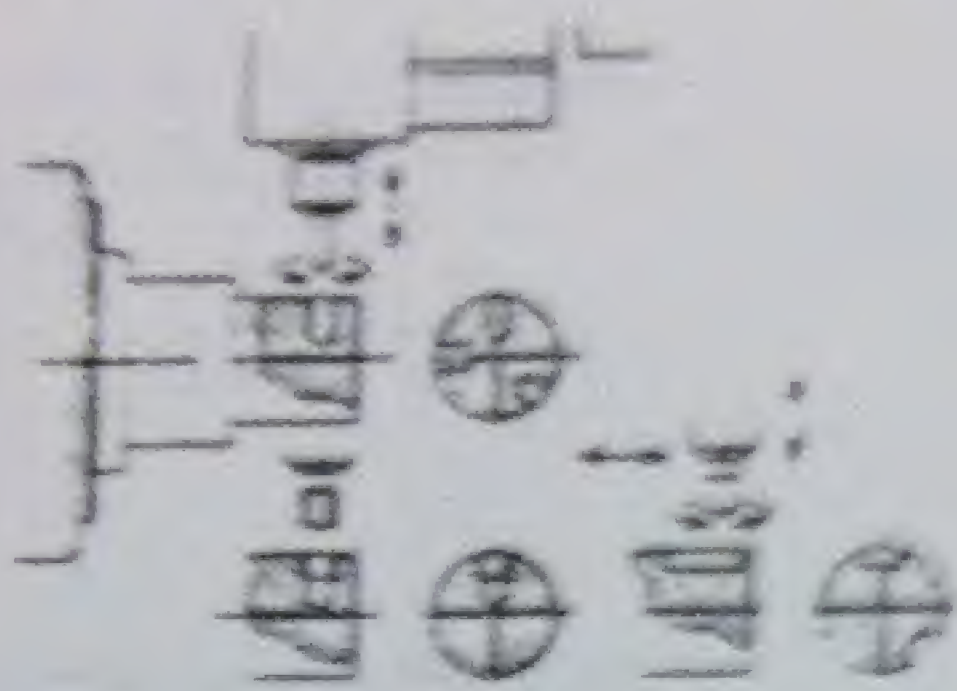
instance, a head could accommodate screwed shank end mills up to 10mm in diameter.

Other live tool heads are available on application.

Angled live tool heads perform operations such as cross drilling and milling at angles other than 90° to the centre line. At 30° to the centre, for



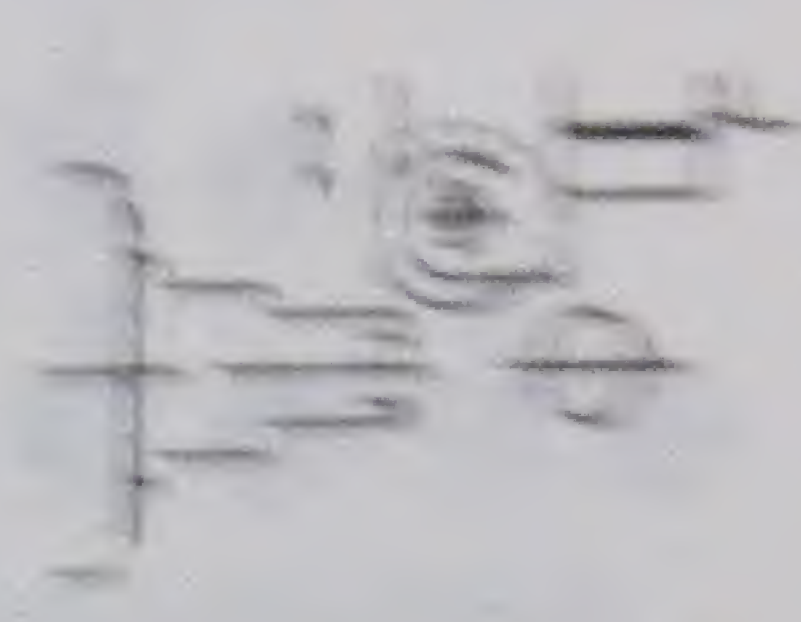
Second Operation Capabilities



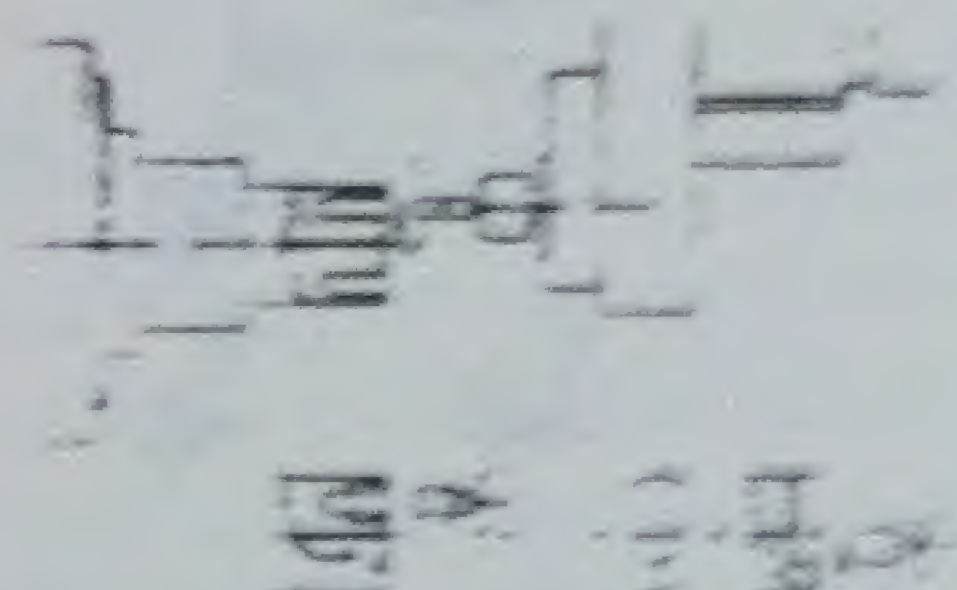
Drilling tapping in X direction
Slot milling in X and Z



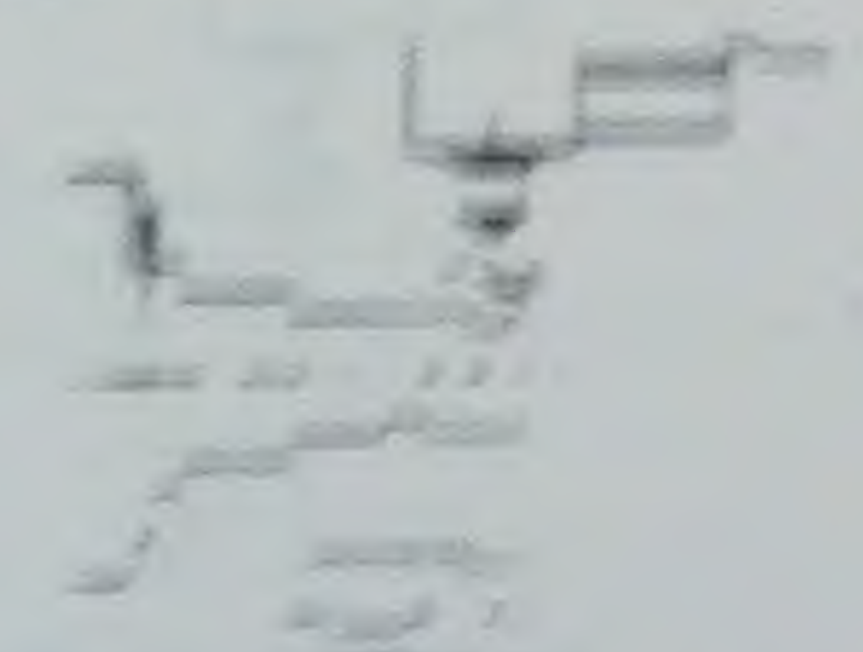
Milling flats and slots with side
and face cutter using plunge
action



Milling slots with side cutters



Drilling tapping in Z direction
Slot milling in Z and X



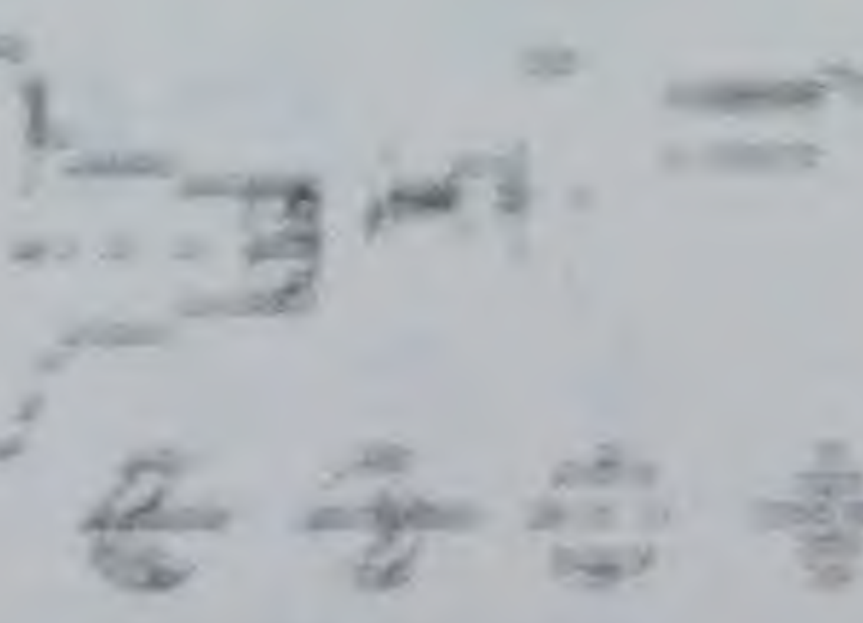
Circumferential longitudinal and
helical groove milling with end mill



Drilling tapping slot milling at an
angle to the X and Z axes



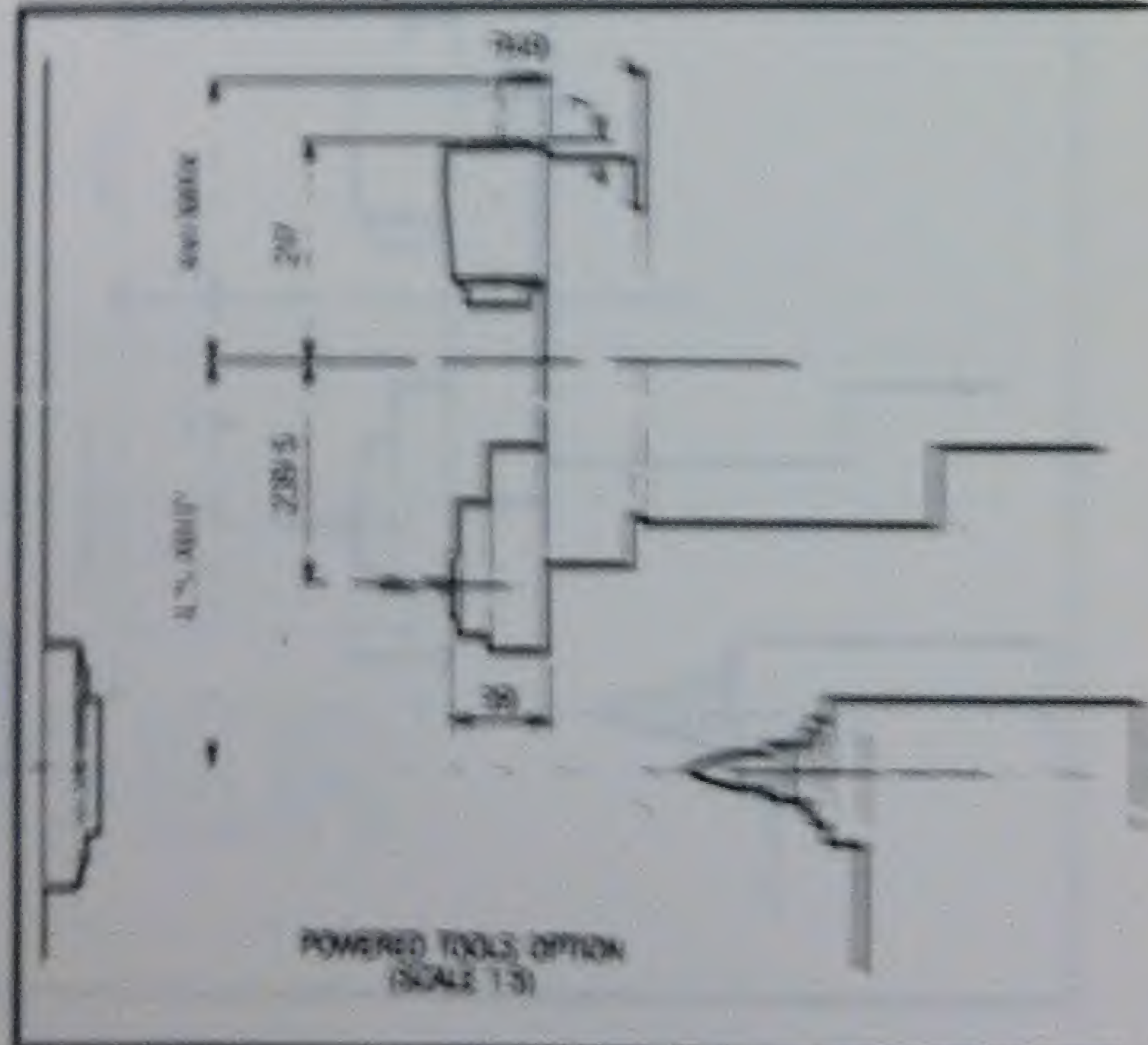
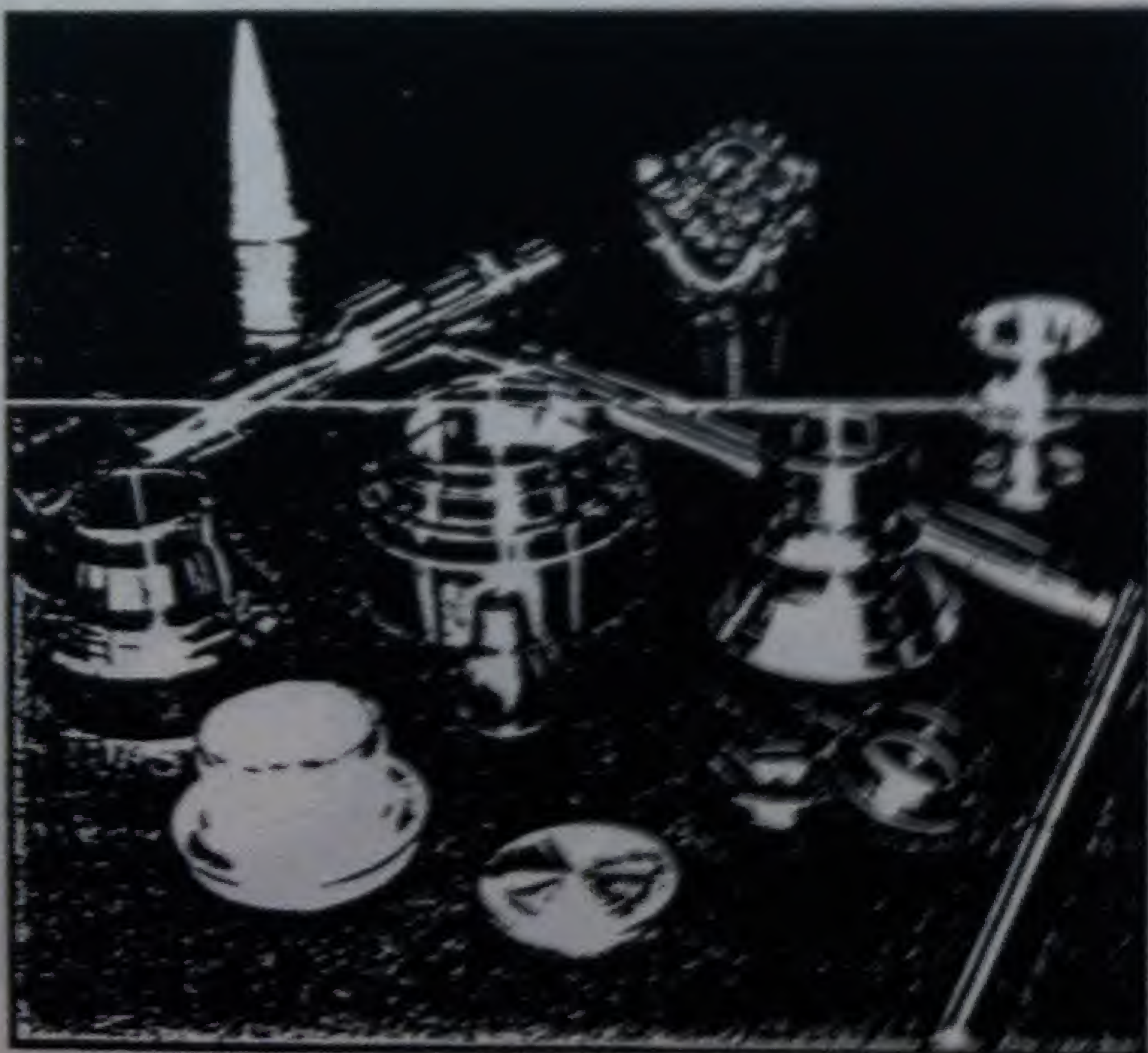
Polygon milling with side and face
cutter



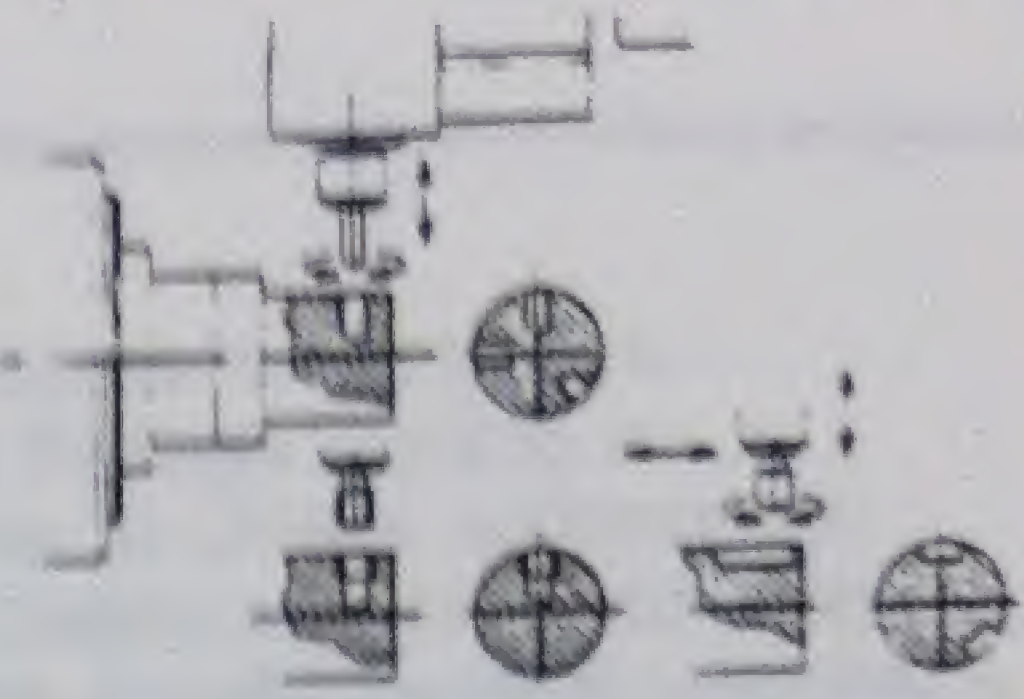
Circumferential face slots, spiral
grooves, polygon milling with end
mill



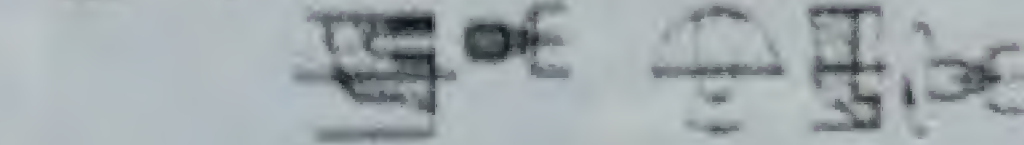
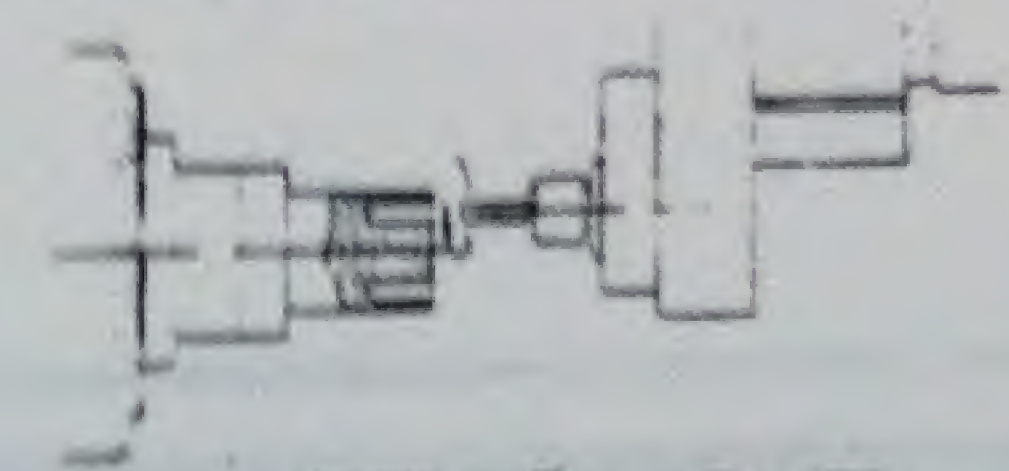
Peripheral slotting with circular
saw



إمكانات أداء عمليات ثنائية



تنقيب ولولة من الداخل في اتجاه المحور
السي
تحرير شقي في اتجاه المحورين السي والسي



تنقيب ولولة من الداخل في اتجاه المحور السي
تحرير شقي في اتجاه المحورين السي والسي



تحرير مقلع مقاطع حاسي ووجهي



تحرير المستطحات والستوت مقاطع حاسي
ووجهي باستعمال قفل الكاسي



تحرير اعدود مقلع وطولي ووجهي في اتجاه
تحرير طرفه



تحرير وجهه مقلع وأعداد ولولة وتحرير
وجهي



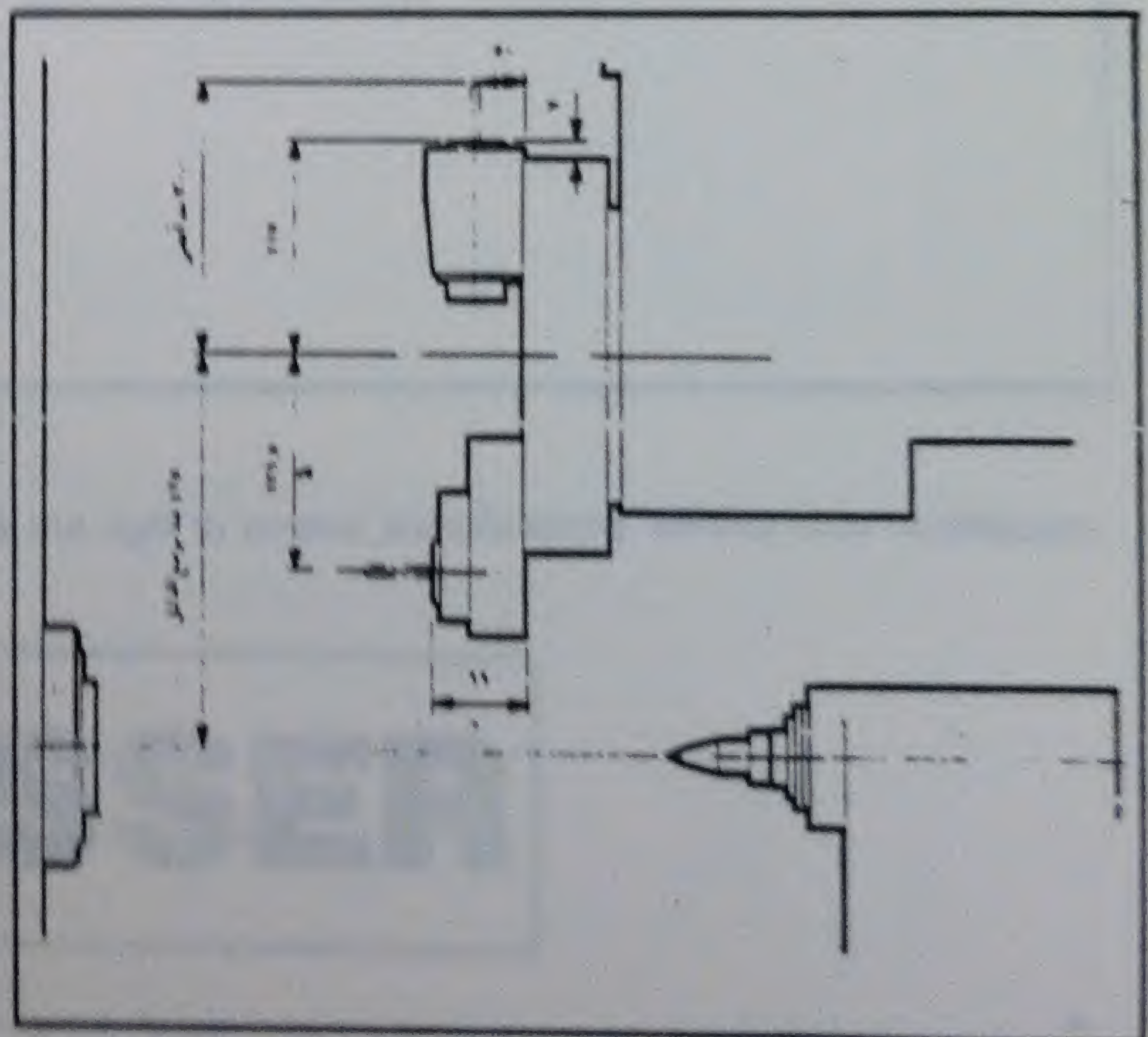
تحرير المستطحات والستوت مقاطع حاسي
ووجهي باستعمال قفل الكاسي



تنقيب ولولة من الداخل وتحرير شقي في اتجاه
المحورين السي والسي



تنقيب مقلع حاسي ووجهي



Customer Service

To ensure high productivity and customer satisfaction, a full range of customer services has been developed. Service, Training, Conference facilities and Productivity/Demonstration centres are established and operative.



APPLICATIONS DEPARTMENT

Dealing with all customer's applications requirements from a demonstration in our Productivity Centre; through training in programming, operating, and maintenance; to on-site support and training at the customer's works. Regular courses are held which include hands-on training in our Productivity Centre. Small groups of customer's staff are trained by highly qualified Applications Engineers to ensure confident programming and operation of the machine once installed, along with maintenance care to aid fluent production.

CUSTOMER SERVICE DEPARTMENT

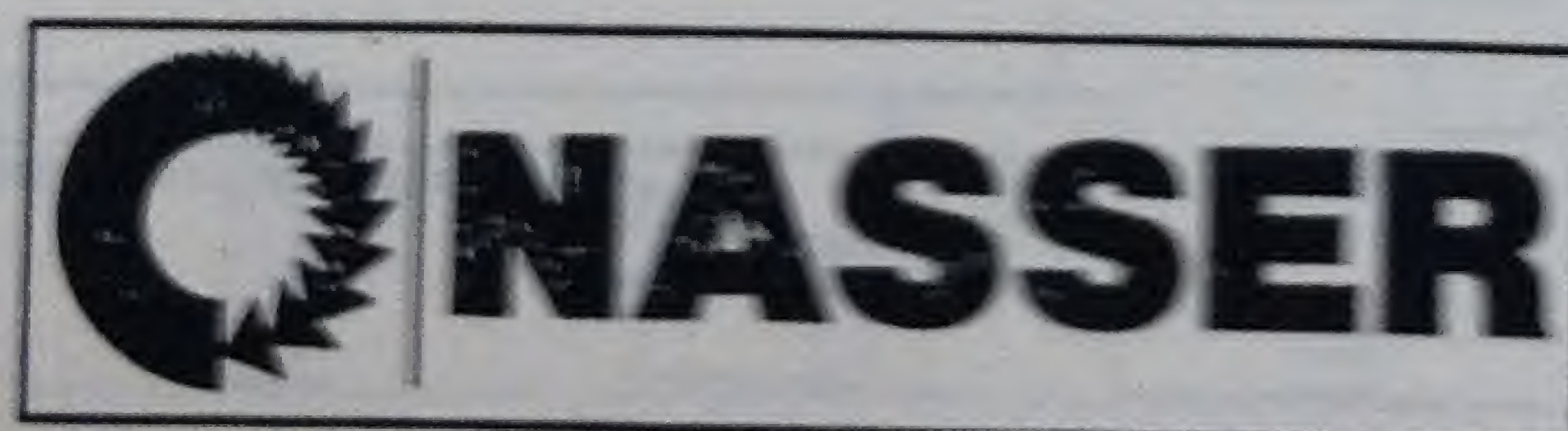
Within 24-hour response time to all service calls is the aim of the Customer Service Department. Highly trained engineers, based in various locations are supported by an efficient, computer based office system to provide service and maintenance cover as required. The special needs of overseas customers are also given immediate attention – engineers regularly travel abroad to install and maintain machines. Contracts are available to cover maintenance needs at the close of warranty – details are available on request.



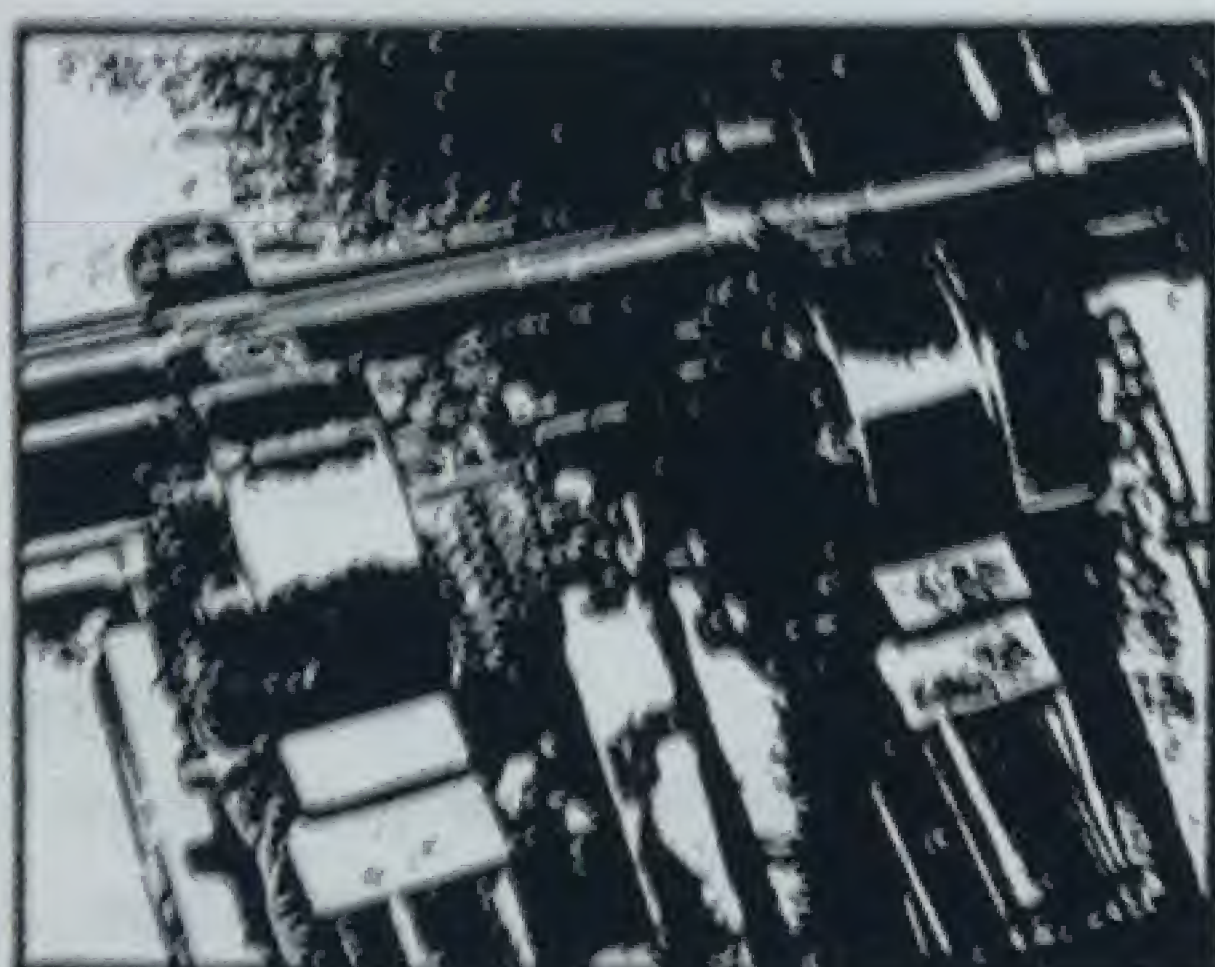
QUALITY IN DESIGN AND BUILD

Keeping step with technological progress ensures success in machine tool building. Our policy of continued development is backed by a CAD/CAI facility currently being implemented for the development and manufacture of future machine tools.

In line with our policy of continued development we reserve the right to amend specifications without prior notification.



شركة ناصر للصناعات الميكانيكية، تل أبيب - العراق، تلفون: ٨٨٨٥٥٥٦، فاكس: ٢١٤١٣٧ IQ NASSRT



To further extend production capabilities, an extensive range of 'standard options' provides an easy path to automated manufacturing.

Monitoring facilities are available to ensure sustained high accuracy machining. Two major options are available, namely component gauging and automatic tool setting.

With in-process gauging a turret mounted probe records diametral and longitudinal dimensions of the component. Any differences between the measure recorded and the programmed dimensions can then be automatically corrected by the CNC control system.

For tool setting, a headstock mounted probe measures the position of the tool point at the setting position and compares the results with a reference datum. Differences in either the X or Z axes are automatically entered as tool offsets. Protection for the probe during the cutting cycle is provided by an automatic cover.

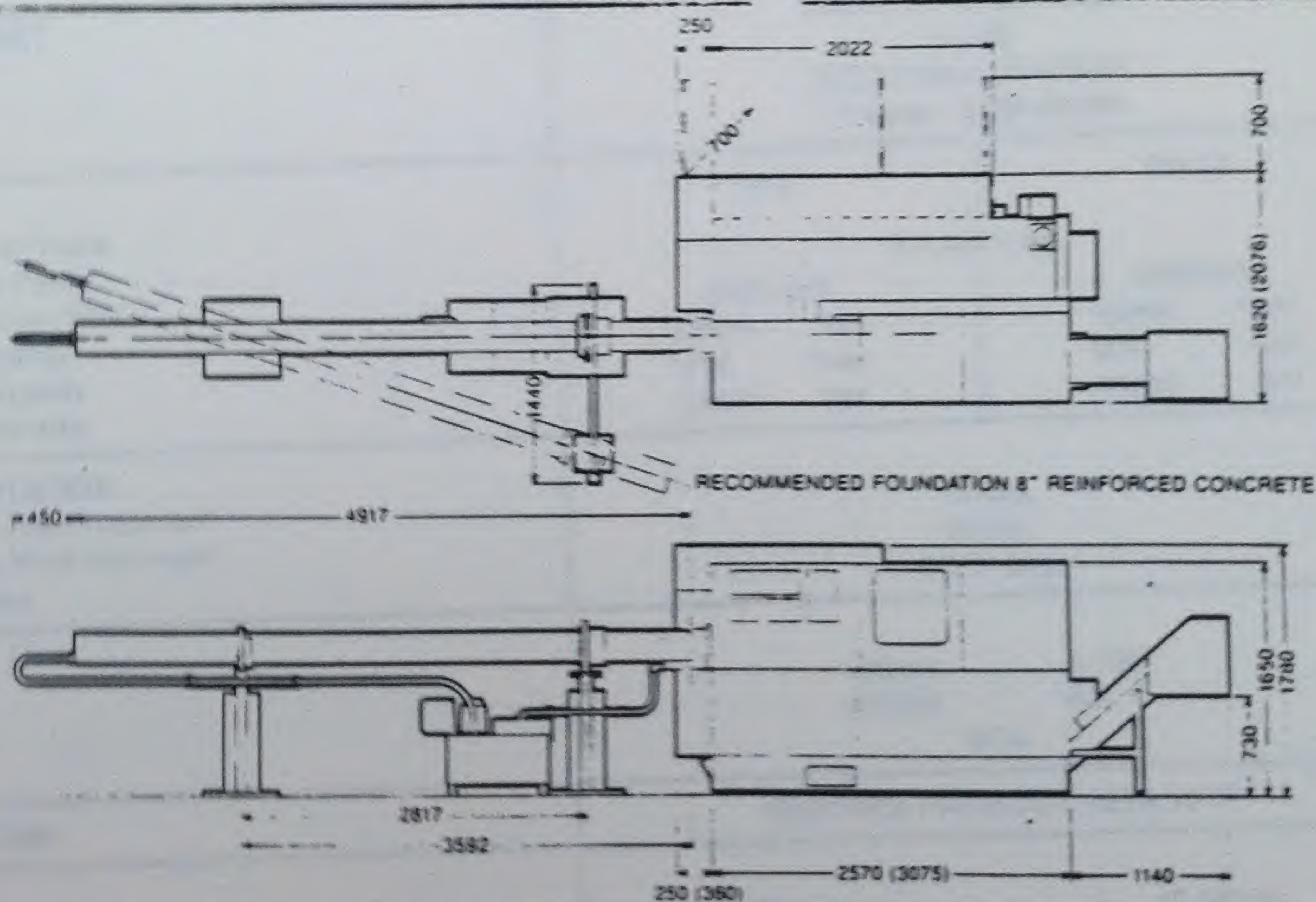
Additional automation facilities such as component workcatcher, bar feed and bar pulling equipment, robot loading and component carousel, are also available.

OPTIONS

Available options include:

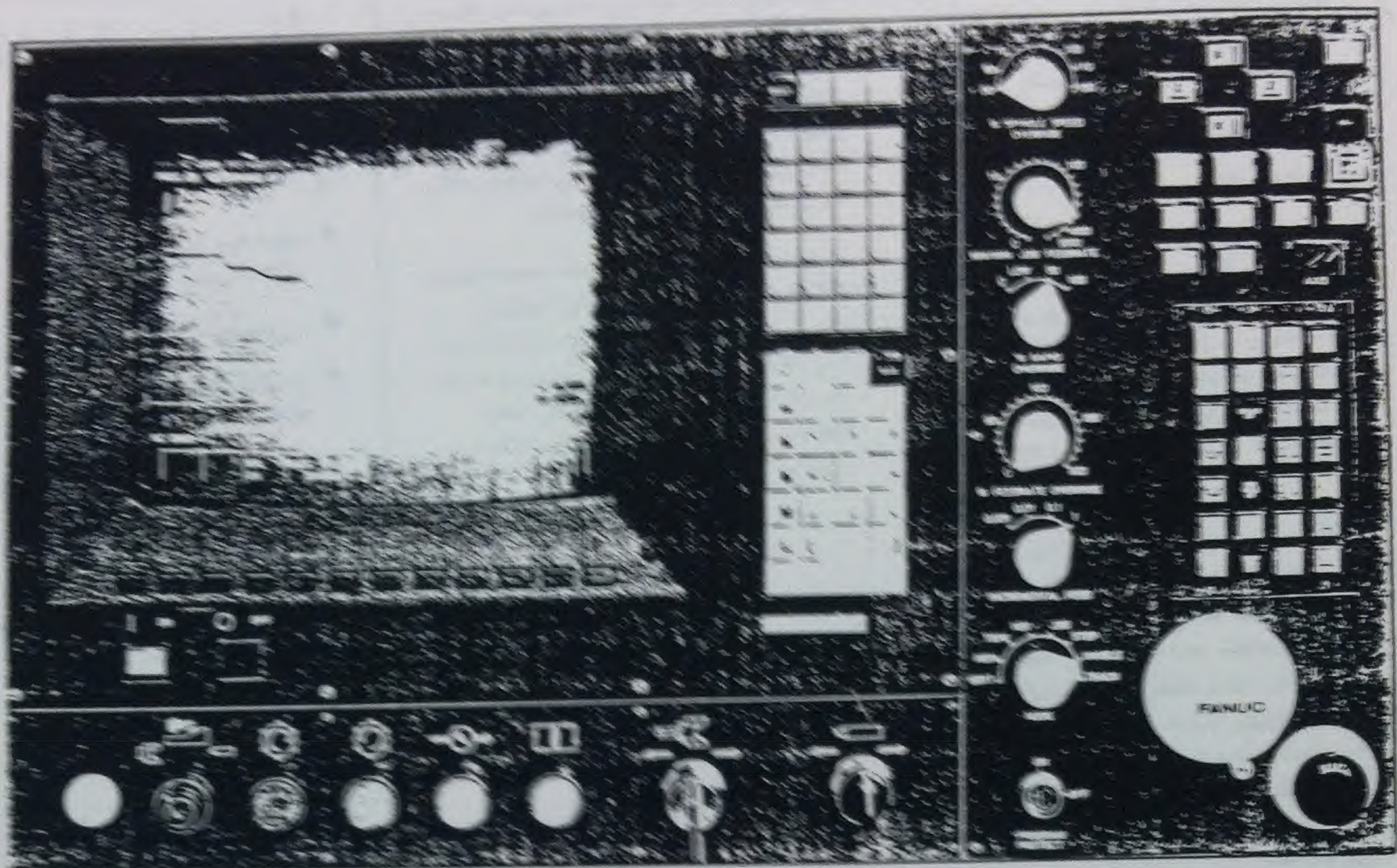
- Footpedal for chuck or tailstock
- Power operated sliding guard
- Dual chucking pressure (hydraulic)
- Component vee support arm (adjustable), tailstock mounted
- High pressure coolant
- Standard Workcatcher
- Filtermist F250 Fume Extraction Unit
- Automatic Loading/Unloading
- Tool Setting Probes
- Bar Feed Equipment
- Bar Pulling Equipment
- End of Bar Detection Equipment
- Steadies
- In-process Gauging
- Post Process Gauging

The robot and carousel have been designed for use with Churchill CNC lathes, but can be easily adapted to serve other machines if required. Loads of up to 120mm in diameter, 10kg in weight, may be carried by the robot which travels on machine mounted guide rails. Used together these features enable the machine to be operated unattended, depending upon component cycle times and number of carriers available.



Specification

CAPACITY	A2-6"		A2-8"	
	Metric	Inch	Metric	Inch
Swing over slide	380mm	14.8 in	380mm	14.8 in
Swing (max.)	540mm	21.2 in	540mm	21.2 in
Turning diameter – nominal	300mm	12 in	300mm	12 in
max	370mm	14.4 in	370mm	14.4 in
Standard chuck size	200mm	7.8 in	250mm	9.7 in
			315mm	12.2 in
Bar capacity	65mm	2.5 in	76mm	2.9 in
Turned length – 0.5m bed	500mm	19.5 in	500mm	19.5 in
1.0m bed	1000mm	39.4 in	1000mm	39.4 in
HEADSTOCK	A2-6"		A2-8"	
Spindle Nose	85mm	3.3 in	91mm	3.5 in
Spindle Bore	40–4000 rpm		12–4000 rpm	
Spindle Range – Standard	30 – 3000 rpm			
Optional	18kW / 24hp			
Spindle Drive Motor Power	24kW / 32hp			
FEED RATES	10m/min		400in/min	
Rapid Traverse (all axes)	0.1 mm/min to 7000mm/min		0.0004in/min to 280in/min	
Feed Rates	14.7kN		3300lbf	
Feed Thrust (Max)				
STANDARD TURRET	Universal Polygon (Disc)			
No. of Stations	12 (10)			
Tool Standard	ISO 2525M or 50 Ø BBH			
Index Time	1.0 secs + 0.35 sec/stn			
LIVE TOOLS	Axial		Radial	
Max. No. of Driven Tools	6			
Tool Drive Motor Power	7.5 kW/10hp			
Max speed of Driven Tool	2880 rpm		2400rpm	
Max Drilling Capacity	20mm	¾ in	15mm	⅝ in
Max Tapping Capacity	M14	⅝ in	M10	⅜ in
Max Milling Cutter size	16mm	⅝ in	16mm	⅝ in
SPINDLE ORIENTATION	15 deg.			
Standard Index Plate Increment	12 deg.			
Minimum Index Plate Increment	0.001 deg.			
C Axis Resolution				
TAILSTOCK	105mm		4.13 in	
Quill Diameter	100mm		4 in	
Quill Stroke			MT4	
Quill Taper				
CONTROL SYSTEM	SIEMENS; FANUC OT, 10TA, 10TF			
WEIGHT	4700kg		10,361lbs	
– 0.5m bed	5200kg		11,464lbs	
– 1.0m bed				



هذا هو الشكل العام للوحة التحكم في الجهاز، والتي تحتوي على مجموعة من العناصر التالية:

1- شاشة العرض: تظهر البيانات الناتجة عن الجهاز.

2- مجموعة من المؤشرات (مصابيح LED): تستخدم لمراقبة حالة الجهاز.

3- مجموعة من المفاتيح (Buttons): تستخدم للتحكم في تشغيل الجهاز.

4- مجموعة من الدials (مؤشرات يدوية): تستخدم لضبط إعدادات الجهاز.

5- مجموعة من المنافذ (Ports): تستخدم لربط الجهاز بأجهزة أخرى.

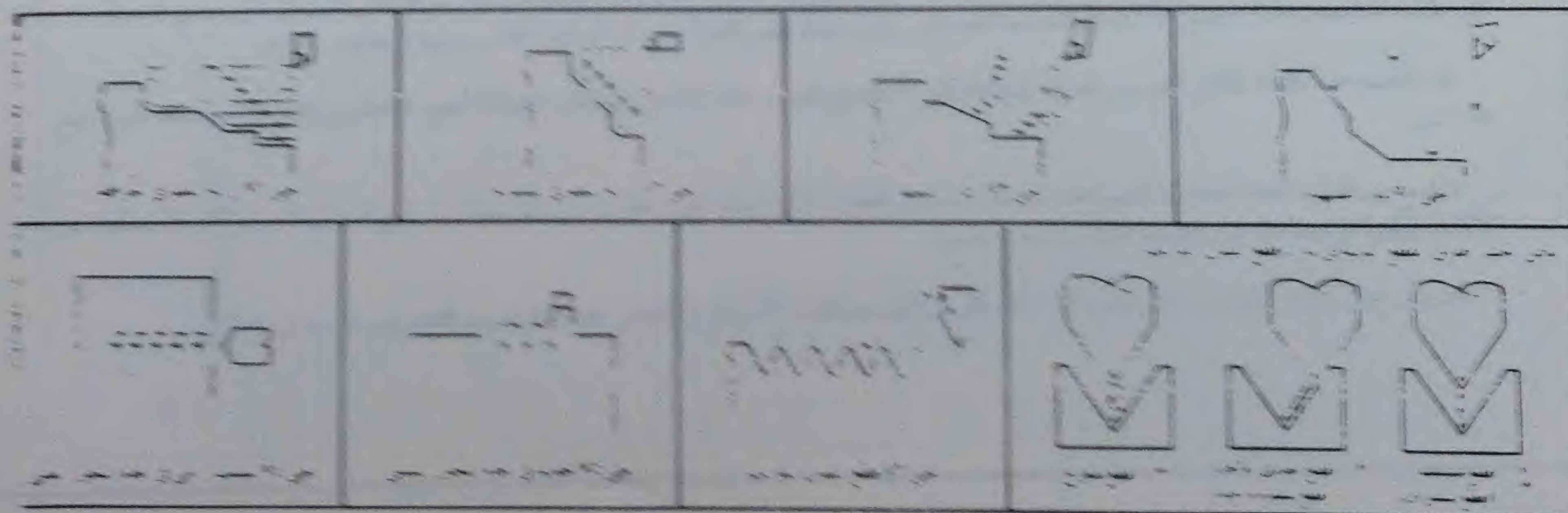
6- مجموعة من المكونات الإلكترونية: مثل المقاومات، المكثفات، والترانزستورات.

7- مجموعة من المكونات الميكانيكية: مثل المحركات، والمفاتيح الميكانيكية.

8- مجموعة من المكونات الكهربائية: مثل البطاريات، والمولدات.

9- مجموعة من المكونات الحرارية: مثل المراوح، والمبردات.

10- مجموعة من المكونات البصرية: مثل العدسات، والمصابيح.



تركيبة في التصميم ومرنة في الاستعمال

المميزات البارزة

تشتمل القائمة الشاملة للمميزات البارزة على:

- مقدمة محور الدوران «أ٢-٦ بوصة» أو «أ٢-٨ بوصة».
- برج مضلع ذو ١٢ مركزاً.
- وسيلة لاستعمال ٦ أدوات مسيرة (محورية أو قطرية).
- دليل لتوجيه محور الدوران، أو محور «ج».
- الماكينة متوفرة بغرشة ذات طول ٥.٥ م أو ٦ م.
- محرك التشغيل الكهربائي الرئيسي متوفر بقوة ١٨ أو ٢٤ كيلوواط.
- حركة جانبية سريعة بمعدل ١٠ م/دقيقة.
- محور دوران بقيادة مباشرة، أو صندوق مستنات ثنائي السرعة.

ويعزز الانتاج الاقتصادي إلى حد أبعد باستعمال أدوات قطع دوارة (حية) ووسيلة لتوجيه محور الدوران، فهذه تخفض تكاليف تصنيع الأجزاء المخروطة التي تتطلب إجراء عمليات التفريز العرضي والتقيب واللولة من الداخل وتشقيب بحرى الجابور عليها وغيرها من العمليات الأخرى، مثل عمل الشكل الحلزوني مثلاً، لأنها تزيل الحاجة إلى استعمال مكانين أخرى تنولى عادة إجراء هذه العمليات.

إن تشكيلة نصر ٣ هي ماكينات متعددة المهارات فعلاً، إذ يمكن تشكيلها بالضبط وفق احتياجات التصنيع وذلك من خلال الاختيارات المتاحة لأطوال فرش الماكينة ومقاييس محور الدوران وأنواع محركات التشغيل الكهربائية وغيرها من المرافق التقنية المتقدمة، وبشكل يفي بمتطلبات الميزانية الاقتصادية والانتاج.

إن مفهوم التصميم التركيبي (المكون من وحدات متكررة) للماكينات من تشكيلة نصر ٣ يقدم الحل الكمال لاحتياجات الانتاج في يومنا هذا، كما إن المجموعة المثبتة جدارتها من الاختيارات المتاحة الواسعة تمكن من تكييف الماكينة بشكل يناسب المتطلبات الفردية النوعية وذلك باستخدام وحدات معيارية من «كتل البناء»، وهذا يضمن الاقتصاد في الشراء والانتاج.

وتدخل ميزتا الجودة والمدايرة بالاعتماد في صلب تصميم وضع الماكينة، ابتداءً من قرنها المتين المائل بزاوية ٤٥° والمصنوع من حديد الزهر والذي يضمن متانة قصوى نسبياً جيداً للرئيس وتستعمل في كافة المكانين من تشكيلة نصر ٣، وانتهاءً بسانر الاختيارات المتوفرة والتي يمكن الانتقاء منها لتلبية المتطلبات الأكثر تعقيداً (أنظر صفحة ٣).

وتضمن زيادة الانتاجية من خلال الجمع بين متانة هيكلية عالية، ومحركات تشغيل كهربائية قوية (ذات قدرة ١٨ أو ٢٤ كيلوواط)، وبرج ثنائي الاتجاه (مع أقصر بحر لضبط الوضع)، ومعدل سريع للحركة الجانبية يبلغ ١٠ م/دقيقة، وهذا يخفض زمن القطع والتوقفات إلى حد أدنى، كما إن المنافع الإضافية المتأتية من الفترة القصيرة لتجهيز الماكينة وتبديل الأدوات، مقرونة مع فرج ثابت ودقة متواصلة، بالإضافة إلى تعدد مهارات أحدث أنظمة التحكم الرقمي بالحاسب الالكتروني المتوفرة، كل هذه المنافع تقلل من تكاليف إنتاج القطعة إلى حد أبعد.

ماكينات من تشكيلة نصر ٢

هذه هي إحدى المجموعات المتقدمة من المخارط ذات التحكم الرقمي بالحاسب الالكتروني المصممة من قبل شركة ماتريكس شرشل - وهي الشركة البريطانية الرائدة في مجال، تصنيع الآلات المكنة - المصنعة من قبل منشأة نصر للصناعات المكنكة الكائن مقرها في بغداد - العراق.

تتمتد المجموعة الكاملة لمكانين نصر من مخارط تشكيلة نصر ٢ لتصنيع قضيب بقطر ٤٢ مم، إلى مخارط تشكيلة نصر ٤ لقضيب بقطر ٧٦ مم وشعاع طرف يبلغ ٣١٥ مم.

بالجمع بين التقنية المثبتة جدارتها لمصنوعات شرشل والموارد والقطعة المالية لمنشأة نصر، فقد توفرت الآن ولأول مرة في أسواق الشرق الأوسط تشكيلة من الآلات المكنية الرقيقة الجودة والمصنعة محلياً وبأسعار تنافسية.

منتجات تحتل مركز الطليعة في تكنولوجيا المخارطة، طورت لتلبية متطلبات الأسواق الحالية من حيث الانتاجية القصوى والمرونة في الانتاج.

Modular in design – flexible in application

The modular design concept of the Churchill THREE Series provides the perfect answer to to-day's production needs. A proven range of extensive options enable the machine to be customised to specific individual requirements using standard 'building block' modules. Economy in both purchase and production are thereby ensured.

Quality and reliability are inherent in the machine design and build, from the durable cast iron 45° slant bed, which ensures maximum rigidity and good swarf fall away and is common to all THREE Series machines, through all the options that can be chosen to meet the most demanding requirements (see Page 3).

Increased productivity is assured through the combination of high structural rigidity, powerful drive motors (18kW or 24kW), bi-directional turret (with shortest path positioning) and a rapid traverse rate of 10m/min; cutting and idle times are thereby reduced to a minimum. The added benefits of rapid set-up and changeover time combined with sustained output and accuracy, plus the versatility of latest CNC control systems available, reduce piece part costs still further.

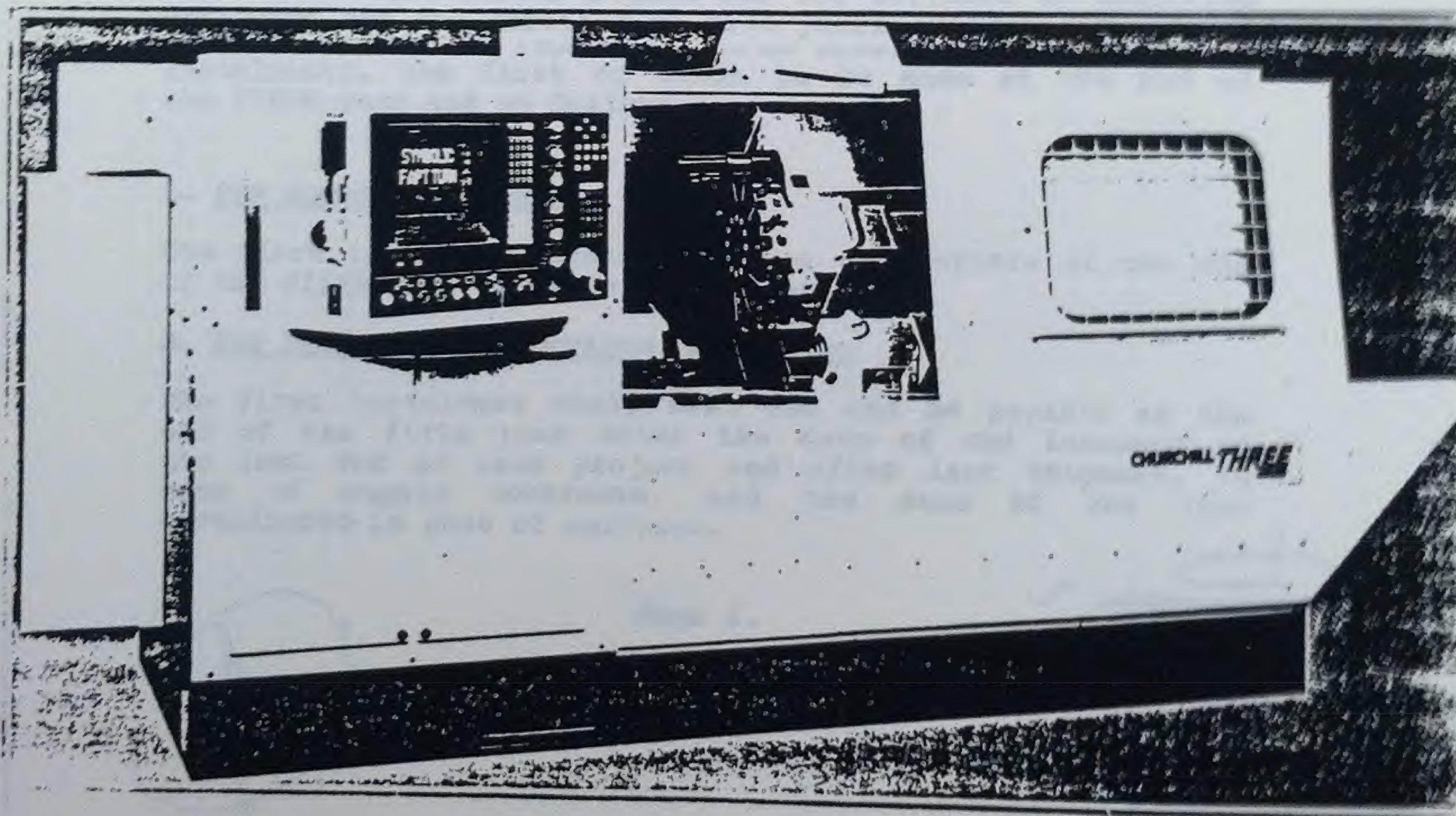
Economic production is further enhanced by the use of live tooling and spindle orientation which reduces costs in the manufacture of turned parts requiring cross milling, drilling, tapping, keyway slotting, pitch circle diameter drilling and other generated forms such as spirals, by eliminating the need for additional machines normally required for these operations.

A truly versatile machine, the Churchill THREE Series may be configured precisely to manufacturing needs through a choice of bed lengths, spindle size, drive motors and other advanced technology options, to satisfy both budget and production requirements.

FEATURES

The comprehensive list of features include:

- A2-6" or A2-8" spindle nose
- 12 station polygon turret
- Facility for up to 6 driven tools (Axial and radial)
- Spindle Indexing or C Axis
- Choice of 0.5 metre or 1 metre bed length
- 18kW or 24kW main drive motor
- 10m/min rapid traverse
- Direct drive spindle, or
- 2 speed gear box



4/22/89

CONFIDENTIAL
MEDIUM TERM LOAN
AGREEMENT BETWEEN THE MINISTRY
OF INDUSTRY OF THE REPUBLIC OF
IRAQ AND BANCA NAZIONALE DEL
LAVORO ATLANTA. GEORGIA
U.S.A.

Loan Agreement dated _____ between the Ministry of Industry of Republic of Iraq (hereinafter referred to as "the borrower") and Banca Nazionale Del Lavoro, Atlanta, U.S.A. (hereinafter referred to as "the lender")

Whereas the lender has agreed to make a medium term loan available to the borrower not exceeding 1,155,000,000 (One Thousand One Hundred Fifty Five Million, United State Dollars) to finance 100% of the foreign currency portion of contracts to be signed during 1989 - 1990 for the construction of industrial projects and/or purchases of plants and/or materials, equipments and/or services of U.S.A. and/or other countries according to the following terms and conditions:

Article One

Duration and Repayment of the Loan:-

The lender will extend a loan for the borrower as specified hereabove for the duration of five years excluding two years grace period to be repaid in three equal consecutive annual instalments, the first of which to be made at the end of the fifth year and as follows:-

A. For Supply Contracts:

The first instalment shall fall due and payable at the end of the fifth year after last shipment.

B. For Projects and Services Contracts:

The first instalment shall fall due and be payable at the end of the fifth year after the date of the issuance of the last PAC of each project and after last shipment, in case of supply contracts, and the date of the last certificate in case of services.

Article Two

Use of Proceeds of the Loan

1. The borrower shall apply the proceeds of the loan to make payments to exporters of the U.S.A. and/or exporters of other countries under one or more projects, supply and/or services contracts.

2. The particulars of contracts shall be communicated to the lender through the Central Bank of Iraq, Baghdad, (hereinafter referred to as the "C.B.I.") on a case by case basis.

The lender will request the C.B.I. to issue its guarantee in the text as per "Annex No.1" for the contracts which do not require issuance of L/C's.

3. In case the Lender decides not to handle the L/C, it shall request the C.B.I. to designate a bank other than the Lender which will handle the relevant L/C.

The Lender will transfer the total amount of the L/C to the account of the C.B.I. with the designated bank as stipulated above.

Article Three

INTEREST

The borrower hereby promised to pay interest on the unpaid principal amount of each disbursement from the date of such disbursement until it shall become due at a rate per annum for each interest period (as hereinafter defined) for such disbursement equal to 3/16 of one percent above the six months London Interbank Offered Rate (LIBOR) for such interest period. Accrued interest on each disbursement shall be payable on the last day of each interest period for such disbursement, and (in the case of interest on past - due principal) on demand by the lender.

Fees

Total fees related to this facility will be 1/3 of one percent flat covering the lender's commitment, administrative costs and legal expenses. This total fees will be charges to the borrower at the time of disbursement on the value of each disbursement by submitting to the C.B.I. via telex an invoice indicating the amount due, which should be remitted to the lender's account.

INTEREST

For purposes hereof, (I) "London Interbank Offered Rate" means in respect of any interest period for a loan the rate per annum determined by the lender to be the average (rounded to the nearest whole multiple of one sixteenth of one percent, if such average is not already such a multiple) of the rates advised by Banca Nazionale Del Lavoro, London, National Westminster PLC, London and Midland Bank PLC, London (each a "Reference Bank") to BNL at its request at approximately 11:00 A.M. London time on the first day of such interest period for deposit of Dollars in an amount equal to the principal amount of the such loan (II) "Interest period shall mean, as to each disbursement a period of six months (or three months if so determined by instructions given in the letters of credit issued by the C.B.I. in connection with this financing), if the last day of any interest period, or any principal repayment date shall not be a Banking Day, and (III) "Banking Day" shall mean a day on which dealings in Dollar deposits are carried out in the relevant interbank market and which is also a day on which commercial banks are open for business in New York City; interest payable on each loan shall be computed on the basis of a year of 360 days and actual days elapsed.

Article Four

PAYMENT OBLIGATIONS

- In order to make payments according to this loan agreement the borrower shall establish through the C.B.I., documentary letters of credit covering the C & F value of the supplies. Payment due contractually to the contractors for engineering, installations, commissions and services etc, shall be effected through invoices duly signed by the representative (s) of the borrower and authenticated by the C.B.I. The
- C.B.I. will there after sent a telex to the lender
- with necessary particulate authorizing the lender to effect
- such payments.

On the basis of invoices signed by the supplier and submitted to the C.B.I. will then forward by authenticated telex the pertinent details authorizing the lender to disburse payment.

Article Five

Indemnification

The lender confirms that he will not charge the U.S. and/or other countries supplier or contractor any extra costs as a result of the implementation of this Agreement except a negotiation fees according to the scales adopted by the lender.

Article Six

A. Payment in General

Payment of principal and of interest on the loan and all other amounts payable by the borrower under this agreement will be made to the lender on the date due. All such payments shall be made in U.S. dollars and in immediately available funds. Payments received shall be applied by the lender in the following order of priority: first, to installments due; second, to interest of principal due.

B. No Deductions

All payments of principal and or interest on the Loans and all other amounts payable hereunder or in respect of draft (s) shall be made free and clear of all present and future income withholding, stamp and other taxes, levies, costs, fees, charges, deductions or withholding or any restrictions or conditions resulting in a charge (herein called "Taxes") imposed, assessed, levied or collected by Iraq or any Political subdivision or taxing authority thereof or therein, on or in respect of this Agreement or the loans of the Draft(s), payment of any interest, or other amounts payable by the borrower hereunder or thereunder, and/or the recording, registration, notarization or other formalization hereof, of thereof, all of which will be for account of the borrower and paid by it when due. If the borrower shall be required by law to make any such deductions from any payment hereunder, (I) the sum payable shall be increased as may be necessary so that after making all required deductions (including deductions applicable to additional sums payable under this section), the lender receives an amount equal to the sum it would have received had no such deductions been made, (II) the borrower shall make such deductions and (III) the borrower shall pay the full amount deducted to the relevant taxing authority or other authority in accordance with applicable law, without limiting the foregoing, the borrower agrees:

(1) to indemnify and reimburse the lender on demand for, any taxes paid by it and any loss, liability, claim or expense (including interest, penalties and legal fees) which the lender may incur arising out of or in connection with any failure by the borrower to make any payment of any taxes when due, and (2) to pay such taxes when due and to provide promptly upon receipt with duly certified taxes paid or caused to be paid by the borrower in connection with this Agreement. The obligation of the borrower under this paragraph below, if any, shall survive the repayment of the loans and the drafts.

C. Obligations and Conditional

The obligations of the borrower hereunder are its general and unconditional obligations, and shall in no way be mitigated by any termination or default under any of the other agreement or instruments relating to any of the transactions contemplated above or by virtue of any recourse that the lender may have to the respective exporter that shall have sold draft to the lender otherwise in respect of such obligations (directly or indirectly), or otherwise.

Article Seven

The lender will have the right not to approve new contracts covered by this agreement if, at the time of the request by the borrower to cover side contract, there are outstanding amounts due to payable to the lender by any of the organizations of the borrower.

Article Eight

Representation and Warranties

The borrower hereby represents and warrants to the lender that (I) the borrower's making and performance hereof and its obligations hereunder and under the L/Cs have been duly authorized by all necessary corporate and legal entities and do not and will not violate any provision of applicable law, regulation or any order of any court or regulatory body or any provision or its charter or by-laws (equivalent documents), and do not and will not result in the breach of, or constitute a default under, or require any consent under any agreement, instrument or documentation to which it is a party or by which it or any of its property may be bound and affected, (II) all governmental approvals (including, without limitations, any foreign exchange approvals), authorizations, licenses and consents necessary for its making and performance of the Agreement, and the L/Cs have been obtained and are in full force and effect,

(III) that pursuant to the laws of the Republic of Iraq the amount payable under this Agreement are not subject to Iraqi withholding taxes, (IV) this Agreement is, and the L/Cs when duly issued will be, the legal, valid and binding obligations of the borrower, enforceable in accordance with their respective terms.

Article Nine

Jurisdiction

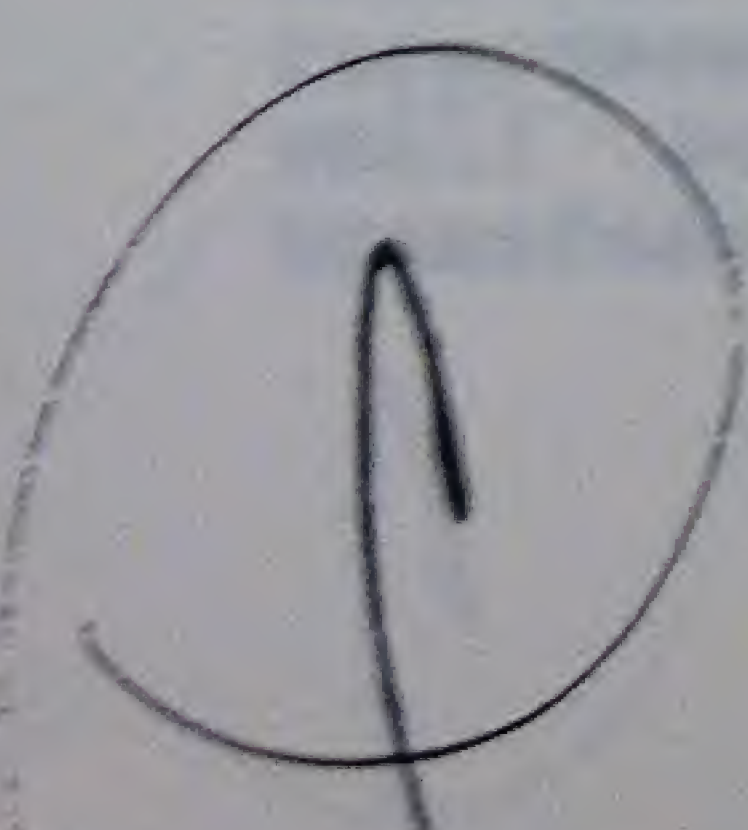
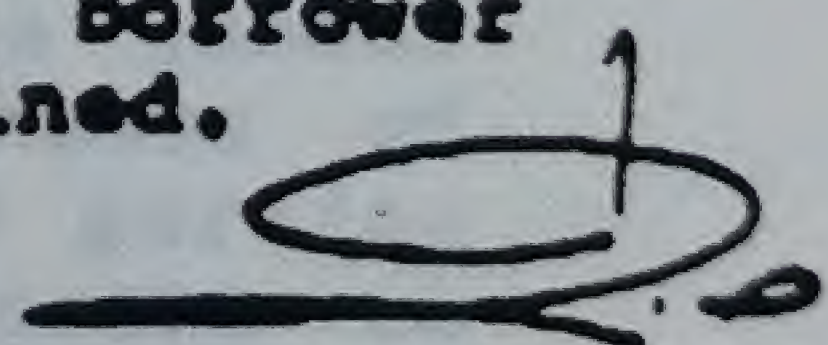
In case the lender shall bring a judicial proceeding in relation to any matter arising hereunder or under any L/C, including any judgement in relation thereto, the borrower hereby irrevocable submits generally and unconditionally to the non-exclusive jurisdiction of the court of the State of Georgia, County of Fulton.

The borrower agrees that service of process in any such proceeding in the State of Georgia may be made to the Iraqi Airways office and the borrower hereby irrevocable appoints the said office and each successor process agent designated by the borrower from time to time, its agent to accept such service of process, and the borrower agrees to maintain at all time an agent in New York, New York to act its agent as aforesaid.

Article Ten

Interest Rate

Anything in this Agreement or the drafts to the contrary notwithstanding, if any loan shall be outstanding and the lender shall, at any time, notify the borrower that the lender is not, for whatever reason, quoting rates for the offering of Dollars deposits in immediately available funds to banks in the relevant interbank markets for a period and in amount relevant to the determination of the LIBOR Rate for any period, then interest shall accrue on the unpaid principal amount of each disbursement for each day during such period at the rate per annum equal to 1/4 of one percent above the cost of the lender of funding such disbursement for such day. The lender shall provide to the borrower the calculation by which a substitute rate was obtained.



D000149

Increased Costs

If after the date hereof any change in applicable law or regulation or in the interpretation or administration thereof by any governmental authority charged with interpretation or administration thereof shall change the basis of taxation of payments to the lender of the principal of or interest on any loan or other amount due under this agreement or any L/C (other than taxes imposed on overall net income by any jurisdiction, or by any political subdivision or taxing authority in jurisdiction, in which the lending office of the lender is located) or shall impose modify or deem applicable any reserve, special deposit or similar requirements against asset of, deposits with or for the account of, or credit extended by, the lender, or shall impose on the lender or the relevant interbank, make any other condition affecting this Agreement or the loan, or the L/C's and the result of any of the foregoing is to increase the cost to the lender of maintaining the loans or to reduce the amount of any sum receivable by the lender to be material, then the borrower shall pay the lender upon its demand such additional amount or amounts as will compensate it for such additional cost or reduction.

Article Twelve

Governing Law

This Agreement shall be construed in accordance with and governed by the law of the State of Georgia, the United States of America.

Article Thirteen

Binding Effects; Assignments

This Agreement shall be binding upon and inure to the benefit of the borrower and the lender and their respective successors and assigns, but the borrower may not assign its rights or obligations hereunder without the prior written consent of the lender. The lending office of the lender may also assign, sell, transfer or otherwise dispose of all or any portion of the loans or of all or any portion of its rights, title and interest therein or thereto to this Agreement, to any other branches, affiliates or offices of the lender provided that the prior approval of the borrower is duly obtained. In the event of such transfer, references in this Agreement to the respective lending office shall be deemed referenced, mutatis mutandis, to the transferee.

This is an international Credit Agreement in which the specification of U.S. Dollars and payment in Atlanta is of the essence, and U.S. Dollars shall be the currency of account in all events.

Article Fifteen

Notice, etc.

All notices and demands hereunder shall be given to or made upon (I) the borrower at its address set forth above or (II) Banca Nazionale Del Lavoro at 235. Peachtree Street NE, Suite 2000, Atlanta, Georgia, 30303 U.S.A., or such other address as such party shall have notified to the other party hereto, and each such notice shall be sent, in the case of a telex, to such party at any telex number which is published as belonging to such party at such address.

Article Sixteen

Amendments

This Agreement may not be amended, changed, waived, discharged or terminated except by an instrument in writing signed by the party against whom enforcement of the amendment, change waiver, discharge or termination is sought.

Article Seventeen

Effectiveness of Agreement

This Agreement will come into effect upon its signature by representatives of the lender and of the borrower and the guarantor.

Agreed among all parties:

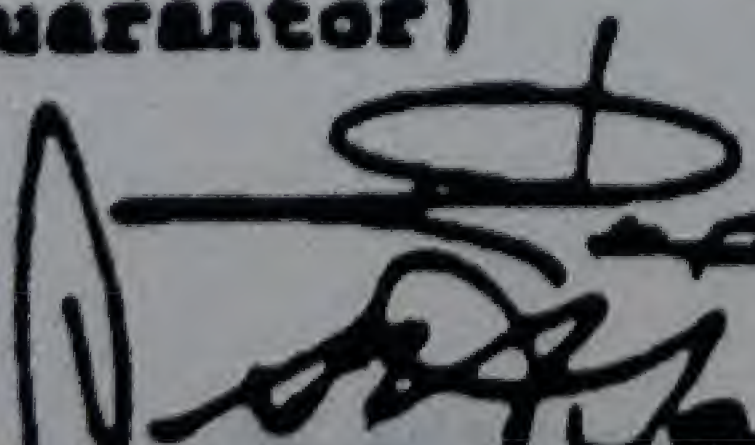
Minister of Industry
the Republic of Iraq

By:

Hasan H. Ali
5/4/1987

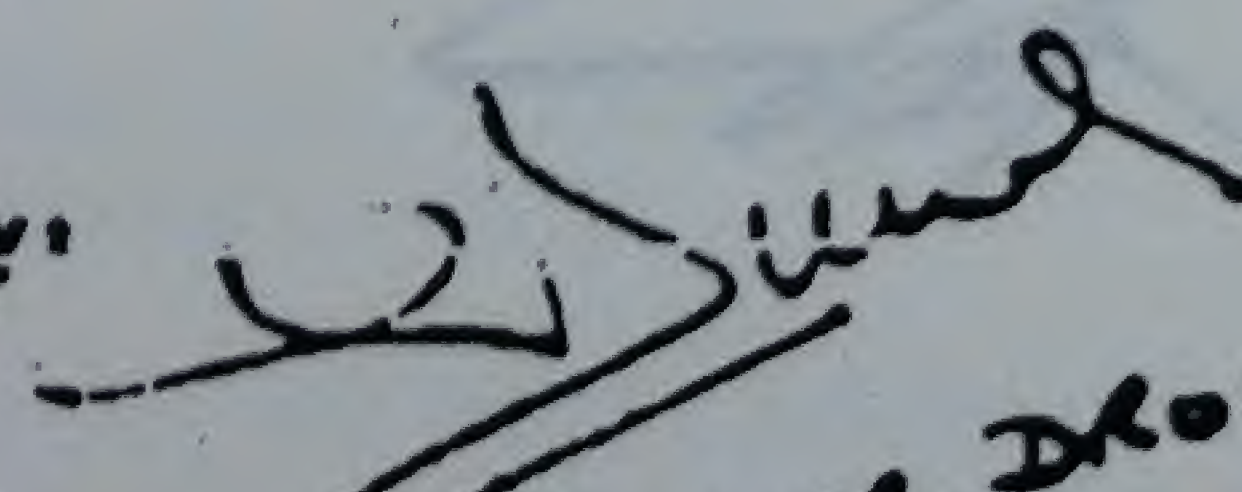
Central Bank of Iraq
(Guarantor)

By:


Abdullah
1987/15/18

Banca Nazionale Del Lavoro
Atlanta/ Georgia

By:


CHRISTIAN DROGOU
First Vice President
Manager
8 April 1987

Page 8.

D000151

TOTAL P. 89

BANCA NAZIONALE DEL LAVORO



BANCA NAZIONALE DEL LAVORO

REGIONAL MANAGEMENT
NORTH & CENTRAL AMERICA

July 26, 1989

Mr. Christopher Drogoul
First Vice President and
Manager
Banca Nazionale Del Lavoro
Atlanta Agency

Dear Mr. Drogoul,

Enclosed is the report of examination of the Atlanta Agency recently completed by our Internal Auditors as of the close of business June 16, 1989.

The examination which included primarily a follow-up of the previous audit as of 9/2/88, to which your reply was received on July 20, 1989, also included reviews of selected areas.

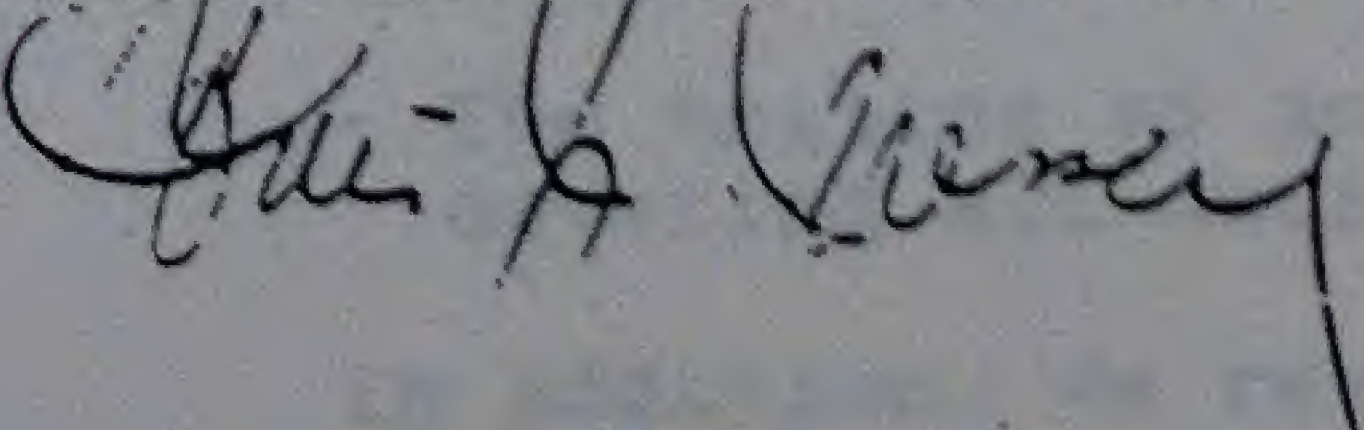
Following your review of the audit report, please see to it that each recommendation and comment is responded to indicating corrective measures taken. Your response should reach us no later than August 31, 1989.

Thanks for your cooperation and remain,

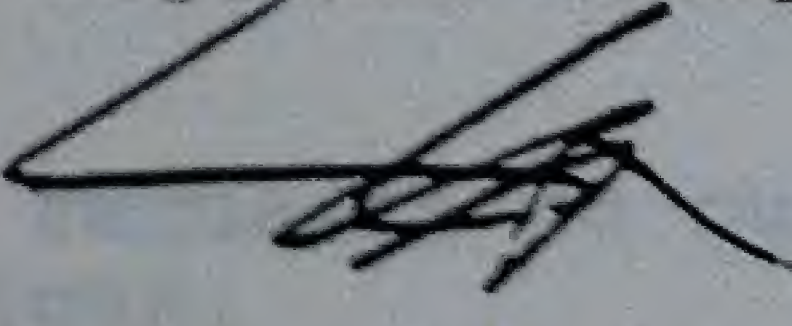
Very truly yours,

BANCA NAZIONALE DEL LAVORO
NEW YORK
REGIONAL MANAGEMENT

Louis N. Messere,
Vice President-
Chief Internal Auditor



Pietro Lombardi,
Regional Manager



July 26, 1989

AUDITOR

AUDIT REPORT

TO: Mr. Christopher Drogoul, First Vice President-Atlanta
Agency Manager

cc: Messrs: Pietro Lombardi, Regional Manager
Carlo Vecchi, Senior Vice President- New York Branch
Manager

FROM: Mr. Louis N. Messere, Vice President-Chief Internal Auditor

SUBJECT: ATLANTA AGENCY AUDIT

AUDIT DATE: June 16, 1989

EXAMINERS: Mr. Louis N. Messere, Vice President-Chief Internal Auditor
and Mr. Samuel Kelly Jr., Senior Internal Auditor

SCOPE: An examination of the Atlanta Agency was conducted as of the close of business June 16, 1989.

This examination, which included primarily a follow-up review of corrective actions taken subsequent to the prior audit as of 9/2/88, also covered:

- A review of account reconciliations, of sundry/suspense accounts and of interest receivable accounts.
- An inventory of all Letters of Credit outstanding, as per the financial records, to the individual folders kept by the L/C area.
- A review of the documentation retained with regard to the Mantec final conversion as of May 1, 1989.
- A review of certain expense categories and specifically travel & entertainment and capital expenditures.
- A comparison of outstanding transactions versus authorized credit lines and compliance with established position and mismatching limits.
- The mailing of audit confirmation requests to customers covering all outstanding transactions.

In addition, we reviewed reports of examinations issued by Peat Marwick Main & Co. and by the local regulatory bodies and we conducted other audit tests as deemed necessary.

Head Office:
ROME-ITALY

NEW YORK BRANCH AT ROCKEFELLER PLAZA
25 WEST 58TH STREET • NEW YORK, N. Y. 10019
Phone: (212) 581-0710 Telex 62840

CARLO AGGIUSTI
LAVOROBANK

July 26, 1989

AUDITOR

AUDIT REPORT

TO: Mr. Christopher Drogoul, First Vice President-Atlanta
Agency Manager

CC: Messrs: Pietro Lombardi, Regional Manager
Carlo Vecchi, Senior Vice President- New York Branch
Manager

FROM: Mr. Louis N. Messere, Vice President-Chief Internal Auditor

SUBJECT: ATLANTA AGENCY AUDIT

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and we conducted other audit tests as deemed necessary.

Head Office:
ROME-ITALY

NEW YORK BRANCH AT ROCKEFELLER PLAZA
25 WEST 58TH STREET * NEW YORK, N. Y. 10019
Phone: (212) 561-0710 Telex 62840

Cable Address:
LAVOROBANK

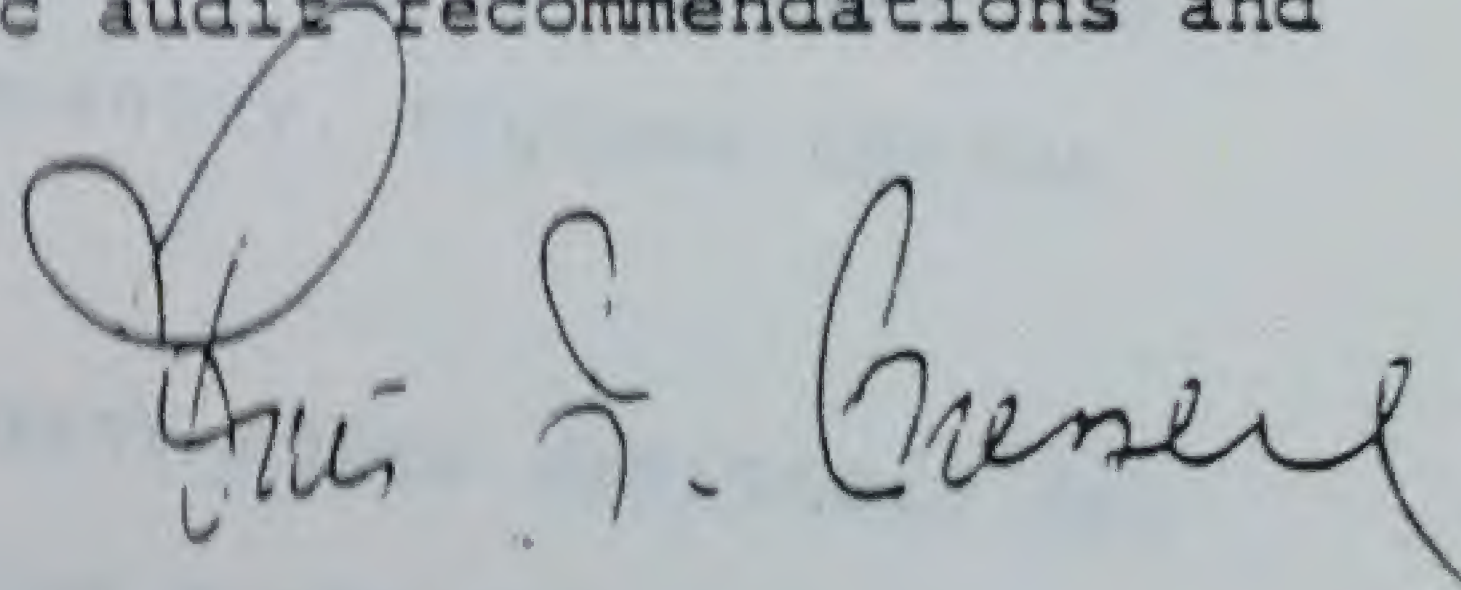
OPINION:

In our opinion, subsequent to the audit follow-up and as a result of the many changes recently effected, the operational workflows and controls of the Atlanta Agency have improved. We are confident that they will further improve once the remaining changes, as documented in the prior audit reply, are fully implemented.

Although specific recommendations to the audit findings are outlined in the attached document, they are summarized below:

- o Agency Management should correct the reported credit utilization excesses and obtain the required collateral documentation as soon as possible. Furthermore, all excesses should be formally channelled through Regional Management and/or Head Office for their review and approval.
- o Agency Management should attain a better segregation of functions covering the Letters of Credit processing area and the back-up for the trader.
- o The Agency should make every effort to utilize the New York Branch rather than Morgan, New York for all their US\$ clearings.
- o All operations areas should comply fully with established accounting procedures with regard to the timely booking of L/C's liabilities, the loading of collections and the proper classifications of loans purchased and/or sold.
- o Greater participation should be sought with the Mantec Project, particularly in the expansion/enhancement of the L/C system and in the review and eventual implementation of the Commercial Loan module.

Following receipt and review of this audit report, a draft of which was provided and discussed with you at the conclusion of this audit, please forward your formal response to the specific audit recommendations and comments by August 31, 1989.



ORIGINAL

13427189

IN THE SUPERIOR COURT OF FULTON COUNTY
STATE OF GEORGIA

FILED IN OFFICE
DEC 21 1989
DEPUTY CLERK SUPERIOR COURT
FULTON COUNTY, GA

MATRIX CHURCHILL LIMITED,
Plaintiff,
v.
BANCA NAZIONALE DEL LAVORO,
Defendant.

CIVIL ACTION

FILE NO. 83692
A17-246

COMPLAINT FOR DAMAGES AND DECLARATORY RELIEF

COMES NOW Plaintiff Matrix Churchill Limited and for its
Complaint against Defendant Banca Nazionale del Lavoro, shows the
Court as follows:

THE PARTIES

1.

Plaintiff Matrix Churchill Limited ("Matrix") is a privately
held corporation organized and existing under the laws of the
United Kingdom, and having its principal place of business at
P.O. Box 39, Fletchamstead Highway, Coventry, England CB49DA.

2.

Upon information and belief, Defendant Banca Nazionale del
Lavoro ("BNL") is a financial institution organized and existing
under the laws of Italy. BNL is engaged in international
banking, through an agency licensed by the Georgia Department of
Banking and Finance, with its office being located at Peachtree
Center Gas Light Tower, Suite 2000, 235 Peachtree Street, N.E.,
Atlanta, Georgia 30303. BNL may be served with summons and

process by delivering a copy of the same to the Commissioner of the Georgia Department of Banking and Finance, as the true and lawful attorney upon whom process in any action against BNL may be served, pursuant to O.C.G.A. § 7-1-713(a)(3)(A).

JURISDICTION AND VENUE

3.

This Court has jurisdiction over BNL with respect to the matter set forth herein. Venue for this action properly lies in the Superior Court of Fulton County, State of Georgia.

COUNT I

4.

Matrix hereby incorporates by reference the allegations set forth in paragraphs 1 through 3 as though set forth fully herein.

5.

In 1988, Matrix entered into a contract with Nassar Establishment for Mechanical Industries ("NASSAR"), an agency of the Republic of Iraq, whereby Matrix agreed to provide Vertical Spindle CMC Machining Centres, and other machinery, materials and services (the "ABA Contract").

6.

In order to secure the payments due to Matrix under the ABA Contract, an irrevocable letter of credit was issued by the Central Bank of Iraq ("CBI") (CBI Credit No. 88/3/3896) in favor of Matrix as beneficiary (the "ABA Letter of Credit"), and in the amount of 8,950,000 Pounds Sterling.

On or about January 31, 1989, BNL, by its branch in Atlanta, Georgia, advised Matrix in writing (BNL Advice No. 11827) of the issuance of the Letter of Credit by CBI and of BNL's confirmation of the Letter of Credit ("ABA Confirming Letter of Credit"). The ABA Confirming Letter of Credit stated, among other things, that "[u]nless otherwise expressly stated, this Letter of Credit is subject to the Uniform Customs and Practice for Documentary Credits (1983 Revision), International Chamber of Commerce Publication No. 400."

In issuing the ABA Confirming Letter of Credit, BNL assumed the legal obligation to honor all drafts presented to BNL by Matrix with the requisite supporting documentation.

BNL has failed to honor the draft that was presented to it dated April 14, 1989 in the amount of 10,011.20 Pounds Sterling. Matrix has presented all documentation required for payment by BNL and has fulfilled all conditions precedent to payment of the aforesaid amount by BNL.

BNL's failure to honor the aforesaid draft constitutes a breach of BNL's obligations to Matrix under the ABA Confirming Letter of Credit. Matrix is entitled to recover damages from BNL in the amount of 10,011.20 Pounds Sterling, plus prejudgment and postjudgment interest, as allowed by law. By failing to honor its obligations to Matrix, BNL has acted in bad faith, been

stubbornly litigious and has caused Matrix unnecessary trouble and expense. Accordingly, Matrix is entitled to recover all reasonable attorneys' fees incurred in bringing this action.

COUNT II

11.

Matrix incorporates by reference the allegations set forth in paragraphs 1 through 3 as though set forth fully herein.

12.

On or about June 28, 1988 Matrix entered into a contract with NASSAR whereby Matrix agreed to provide certain machine kits, parts and services ("Kits and Parts Contract").

13.

In order to secure the payments due to Matrix under the Kits and Parts Contract, an irrevocable letter of credit was issued by CBI (CBI Credit No. 88/3/3897) in favor of Matrix as beneficiary (the "Kits and Parts Letter of Credit"), and in the amount of 3,430,480.20 Pounds Sterling.

14.

On or about January 31, 1989, BNL, by its branch in Atlanta, advised Matrix in writing (BNL Advice No. 11830) of the issuance of the Letter of Credit by CBI and of BNL's confirmation of the Kits and Parts Letter of Credit (the "Kits and Parts Confirming Letter of Credit"). BNL's Kits and Parts Confirming Letter of Credit stated, among other things, that "[u]nless otherwise expressly stated, this Letter of Credit is subject to the Uniform Customs and Practice for Documentary Credits (1983 Revision), International Chamber of Commerce Publication No. 400."

10459 ... 120

15.

In issuing the Kits and Parts Confirming Letter of Credit, BNL assumed the legal obligation to honor all drafts presented to BNL by Matrix with the requisite supporting documentation.

16.

Matrix has presented certain drafts, in the amount of 764,171.33 Pounds Sterling, to BNL pursuant to BNL's Kits and Parts Confirming Letter of Credit, which BNL has failed to honor. Matrix has presented all documents required for payment of these drafts and has fulfilled all conditions precedent to payment of the aforesaid amount by BNL.

17.

BNL's failure to honor the drafts referenced in paragraph 16, above, constitutes a breach of BNL's obligations to Matrix under BNL's Kits and Parts Confirming Letter of Credit. Matrix is entitled to recover damages from BNL in the amount of 764,171.35 Pounds Sterling plus prejudgment and postjudgment interest, as allowed by law. By failing to honor its obligations to Matrix, BNL has acted in bad faith, been stubbornly litigious and has caused Matrix unnecessary trouble and expense. Accordingly, Matrix is entitled to recover all reasonable attorneys' fees incurred in bringing this action.

COUNT III

18.

Matrix hereby incorporates by reference the allegations set forth in paragraphs 1 through 3, as though set forth fully herein.

19.

On or about May 4, 1989, Matrix entered into a contract with NASSAR to supply certain equipment and render certain services for a Hot Forge Die Plant in Al-Taji, Baghdad (the "Hot Forge Die Contract").

20.

In order to secure the payments due Matrix under the Hot Forge Die Contract, an irrevocable letter of credit was procured from CBI (CBI Credit No. 89/3/609) in favor of Matrix as beneficiary (the "Hot Forge Die Letter of Credit") in the amount of 81,000,000.00 Duetsche Marks ("DM").

21.

On or about May 24, 1989, BNL, by its branch in Atlanta, Georgia advised Matrix in writing (BNL Advice No. 12053) of the issuance of the Letter of Credit by CBI and of BNL's confirmation of the Letter of Credit (the "Hot Forge Die Confirming Letter of Credit"). BNL's Hot Forge Die Confirming Letter of Credit stated, among other things, that "[u]nless otherwise expressly stated, this Letter of Credit is subject to the Uniform Customs and Practice for Documentary Credits (1983 Revision), International Chamber of Commerce Publication No. 400."

22.

In issuing the Hot Forge Die Confirming Letter of Credit, BNL assumed the legal obligation to honor all drafts presented to BNL by Matrix with the supporting documentation.

23.

Matrix has presented a draft dated August 22, 1989 to BNL, in the amount of 3,207,000 DM, which BNL has failed to honor. Matrix has presented all documents required for payment of this draft and has fulfilled all conditions precedent to payment of the aforesaid sum by BNL.

24.

BNL's failure to honor the draft referenced in paragraph 24, above, constitutes a breach of BNL's obligations to Matrix under the Hot Forge Die Confirming Letter of Credit. Matrix is entitled to recover damages from BNL in the amount of 3,207,000 DM, together with prejudgment and postjudgment interest, as allowed by law. By failing to honor its obligations to Matrix, BNL has acted in bad faith, been stubbornly litigious and has caused matrix unnecessary trouble and expense. Accordingly, Matrix is entitled to recover all reasonable attorneys' fees incurred in bringing this action.

COUNT IV

25.

Matrix hereby incorporates herein by reference the allegations set forth in paragraphs 1 through 24 as though set forth fully herein.

26.

Matrix hereby seeks the declaration with respect to its future rights under the confirmed letters of credit issued by BNL and identified in Counts I through III, above.

27.

There exists an actual controversy between Matrix and BNL with respect to the obligations of BNL under the confirmed letters of credit issued by BNL in favor of Matrix.

28.

The controversy has adverse legal interests of sufficient immediacy and reality to warrant the issuance of a declaratory judgment, declaring the rights and obligations of Matrix and BNL with respect to the controversy.

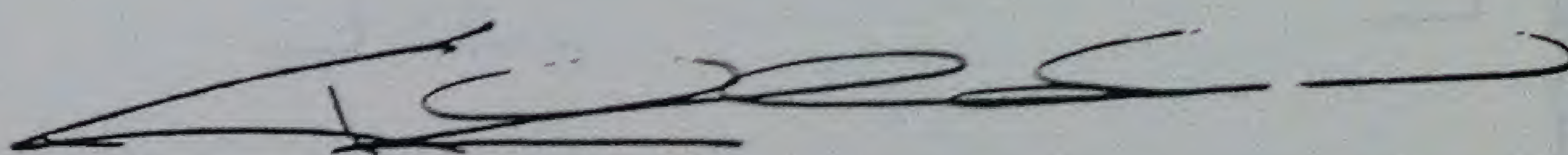
29.

Matrix seeks an adjudication of its rights with respect to the controversy and alleges that it is entitled to a declaration by the Court that the Confirmed Letters of Credit are proper and constitute lawful obligations of BNL and that BNL must honor all demands properly made by Matrix for payments under the aforesaid letters of credit.

WHEREFORE, having set forth fully its Complaint against Defendant Banca Nazionale del Lavoro, Plaintiff Matrix Churchill Limited prays as follows:

- (a) that judgment be entered under Count I in favor of Matrix and against BNL in the amount of 10,011.20 Pounds Sterling, together with pre and post judgment interest and reasonable attorneys' fees;
- (b) that judgment be entered under Count II in favor of Matrix and against BNL in the amount of 764,171.33 Pounds Sterling, together with pre and post judgment interest and reasonable attorneys' fees;

- (c) that judgment be entered under Count III in favor of Matrix and against BNL in the amount of 3,207,000 DM, together with pre and post judgment interest and reasonable attorneys' fees;
- (d) that judgment be entered under Count IV in favor of Matrix and against BNL, declaring the rights of Matrix and the obligations of BNL pursuant to the confirming letters of credit issued by BNL in favor of Matrix; and
- (e) for such other and further relief that this Court deems just and proper.



KENNETH L. MILLWOOD
Georgia Bar No. 509775
JOE D. WHITLEY
Georgia Bar No. 756150
JOHN L. LATHAM
Georgia Bar No. 438625

Counsel for Plaintiff
Matrix Churchill Limited

SMITH GAMBRELL & RUSSELL
2400 First Atlanta Tower
Atlanta, Georgia 30383
(404) 656-1800

BANCA NAZIONALE DEL LAVORO

ATLANTA AGENCY

PEACHTREE CENTER GAS LIGHT TOWER - SUITE 3000
335 PEACHTREE STREET, N.E. ATLANTA, GEORGIA 30301HEAD OFFICE:
ROME, ITALYPHONE: (404) 881-6143
TELEX: 34-2134
CABLE: LAVORQUANK ATL
TELEX: 4979333 NHL UI
TELEFAX: (404) 522-0978

Issuing Bank's Credit No. 89/3/106

ATLANTA February 13, 1989

Our Advice No. 11885

Beneficiary

Potain
16 Rue De Charbonnet
Ceres-BP 69132 Ecully
Cedex, France

Instructions Received From

Central Bank Of Iraq
New Bank Street
Baghdad, Iraq

For Account Of

Al Fao State Establishment
Baghdad, Iraq

Gentlemen:

We are pleased to advise you that the above mentioned correspondent has issued their Irrevocable Letter of Credit in your favor for account as shown above for a sum not exceeding Fortytwo Million Fortyone Thousand Eight Hundred French Francs (42,041,800.00 F.F.R.) available by your draft(s) drawn at sight on The Central Bank of Iraq.

The amount of this letter of credit covers 100% of the invoice value of:

Two complete MD 600 cranes and Two complete MD 900 cranes and spare parts and supervision of crane for 2 years (one man).

All C & F Mousl.

A. 10% of the credit value is payable as down payment, and will be paid only against our receipt of tested telex from The Central Bank of Iraq stating that bank guarantee issued by Rafidain Bank has been issued and approved by the buyers.

B. The remaining 90% of the letter of credit value is payable as against your draft(s) as described above accompanied by:

1. Your signed commercial invoice in original and 8 copies in the name of the above mentioned accountee stating the merchandise description, quantity, price value, gross and net weight, freight charges, shipping marks, country of origin, country of manufacturer, trade discount (if any) and certifying its correctness and that the goods are of Swedish, Brazilian and/or U. K. origin. Original must be attested by Iraqi Consulate Chamber of Commerce (see * below for attestation and legalization).

Continued on page 2. 10423 520

BANCA NAZIONALE DEL LAVORO

ATLANTA AGENCY

PEACHTREE CENTER GAS LIGHT TOWER - SUITE 2000
333 PEACHTREE STREET, N.E. ATLANTA, GEORGIA 30303

HEAD OFFICE:
ROME, ITALY

PHONE: (404) 581-6143.
TELEX: 34-2194
CABLE: LAVOROBANK ATL
TELEX: 4979333 MIL UI
TELEFAX: (404) 522-0978

Our advice no. 11885

page 2 of 3

ATLANTA February 13, 1989

2. Certificate of origin in original and 3 copies (see * below for attestation and legalization).

3. Truck bill of lading or forwarders receipt in the name of The Central Bank of Iraq marked notify account party shown above and Freight Prepaid.

and/or

Receipts - receipt ready val in the name of the Central Bank of Iraq marked notify the account party shown above and freight prepaid.

4. Your signed statement that the buyers name and address and L/C no. is correct and that the goods are being shipped to the account party shown above.

5. Packing lists in 3 copies.

6. Test certificate in triplicate.

7. Certificate of compliance with European safety regulations for equipment in triplicate.

8. Copy of your telex to buyers giving all data that goods is ready for shipment.

Evidencing one or more shipments of the merchandise from France to Mosul, Iraq via Turkey by truck not later than July 25, 1989.

Transshipment not permitted.

All documents must bear reference to letter of credit no. 89/3/106.

All Banking charges outside Iraq for beneficiary's account.

* Original commercial invoice or Original certificate of origin must be legalized and attested to "name of producer or manufacturer and the producing company (supplier)" of the goods. The legalization must be by Chambers of Unions of Commerce or Industry or similar bodies or organization acting for them or Joint Arab Foreign Chambers of Commerce according to the local practice in the supplying country. The attestation by the Iraqi Commercial Attache or his representative in the Iraqi Diplomatic or Consular representation in France.

Continued on page 2.

10429 521

BANCA NAZIONALE DEL LAVORO

ATLANTA AGENCY

HEAD OFFICE:
ROME, ITALY

PEACHTREE CENTER GAS LIGHT TOWER - SUITE 2000
235 PEACHTREE STREET, N.E. ATLANTA, GEORGIA 30303

PHONE: (404) 581-8143
TELEX: 34-2194
CABLE: LAVOROBANK ATL
TELEX: 4973333 BNL UI
TELEFAX: (404) 322-0078

Our advice no. 11885

page 3 of 3

ATLANTA February 13, 1989

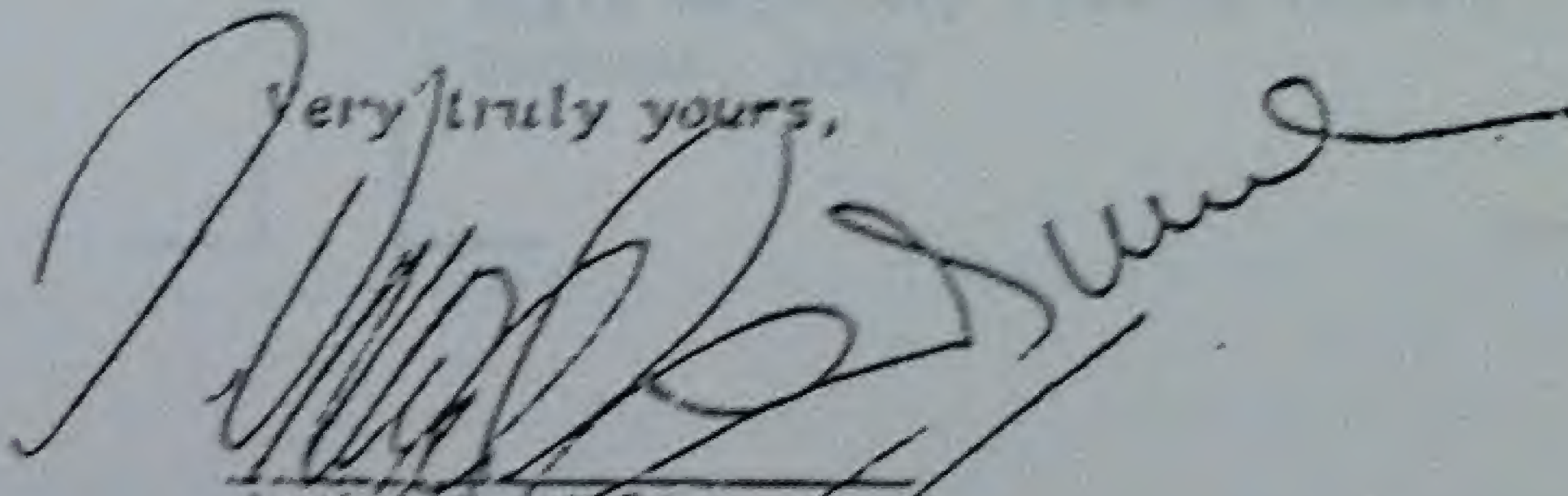
Documents bearing black list clauses are not acceptable.

Documents must be presented at our office (235 Peachtree Street, Suite 2000 Gas Light Tower, Atlanta, Ga. 30303) not later than August 25, 1989.

We hereby confirm this letter of credit and engage with you that all documents drawn under and in compliance with the terms of the above mentioned credit will be duly honored by us.

Unless otherwise expressly stated, this letter of credit is subject to the Uniform Customs and Practice for Documentary Credits (1983 Revision), International Chamber of Commerce Publication No. 400.

Very truly yours,


Authorized Signature

10429 522

BANCA NAZIONALE DEL LAVORO

ATLANTA BRANCH

PEACHTREE CENTER GAS LIGHT TOWER - SUITE 2800
225 PEACHTREE STREET, NE ATLANTA, GEORGIA 30303

HEAD OFFICE:
ROMA, ITALY

PHONE: (404) 581-0143
TELEX: 542154
CABLE: LAVOROBANK ATL
TELEX: 4979333 BNL UI
TELEFAX: (404) 512-0578

Issuing Bank's Credit No. 89/3/106

ATLANTA

April 18, 1989

Our Advice No. 11885

Beneficiary

Potain
18, Rue de Charbonnieres
B.P. 173
69132 ECULLY Cedex
France

Instructions Received From

Central Bank of Iraq
New Bank Street
Baghdad, Iraq

For Account Of

State Machinery Trading Company
Baghdad, Iraq

Gentlemen:

We are pleased to advise you that the above mentioned correspondent has amended the above mentioned Letter of Credit as follows:

1. Principal's name now to read as stated above.
2. Origin of goods now to read European origin instead of French origin.
3. Arrival of the goods now reads C & F Bagdush Dam instead of C & F Mousl.
4. Item #4 of the documentary requirements is now deleted and replaced by the following:
"Your signed statement that the buyer's name and address and L/C No. 89/3/106 is shown on goods."
5. Shipment now to be effected from France to Bagdush Dam, Iraq via Turkey by truck or containers not later than 5 months from date of down payment.

All other terms and conditions remain unchanged.

Very truly yours,

Authorized Signature

10429 ... 523

BANCA NAZIONALE DEL LAVORO

ATLANTA AGENCY

PEACHTREE CENTER GAS LIGHT TOWER - SUITE 2000
335 PEACHTREE STREET, NE ATLANTA, GEORGIA 30303HEAD OFFICE:
ROME, ITALYPHONE: (404) 521-5143
TELEX: 54-2194
CABLE: LAVOROBANK ATL
TELEX: 4979333 SNL UI
TELEFAX: (404) 522-0978

Issuing Bank's Credit No. 88/3/2407

ATLANTA August 16, 1988

Our Advice No. 20187

Beneficiary

XYZ Options, Inc.
Arcadia Drive
Tuscaloosa, Alabama 33404

Instructions Received From

Central Bank Of Iraq
New Bank Street
Baghdad, Iraq

For Account Of

Machinery Trade Company
Baghdad, Iraq

Gentlemen:

We are pleased to advise you that the above mentioned correspondent has issued their Irrevocable Letter of Credit in your favor for account as shown above for a sum not exceeding Fourteen Million Seventytwo Thousand Six Hundred Twentyfive Dollars United States Currency (\$14,072,625.00 USC).

The amount of this letter of credit covers 85% of the invoice value of:

Supply machines, equipments, furnaces and other works according to contract no. 103/60/988. Terms C & F Aqaba.

A. Up to \$1,407,262.15 (10% of L/C value) is available against your officially signed receipt for the amount of your drawing. This advance payment will only become available after we have received notification from Central Bank of Iraq that your bank guarantee issued through Rafidain Bank, Baghdad has been received and approved by Machinery Trade Company.

B. Up to 75% of the invoice value (or in the event you do draw the above mentioned advanced payment, 85%) is available against presentation of the following documents:

1. Your signed commercial invoice in original and 7 copies in the name of the above mentioned accountee stating the merchandise description, quantity, price value, gross and net weight, freight charges, shipping marks, country of origin, country of manufactures, trade discount (if any) and certifying its correctness and that the goods are of U. S. A., Swiss, UK-Brassel and/or Japanese origin. Original must be attested by Iraqi Consulate Chamber of Commerce (see * below for attestation and legalization).

Continued on page 2.

BANCA NAZIONALE DEL LAVORO

ATLANTA AGENCY

PEACHTREE CENTER GAS LIGHT TOWER - SUITE 2000
133 PEACHTREE STREET, NE ATLANTA, GEORGIA 30303

HEAD OFFICE:
ROME, ITALY

PHONE: (404) 521-5143
TELEX: 54-2154
CABLE: LAVOROBANK ATL
TELEX: 4979333 BNL UI
TELEFAX: (404) 522-6678

Our advice no. 20187

page 2 of 3

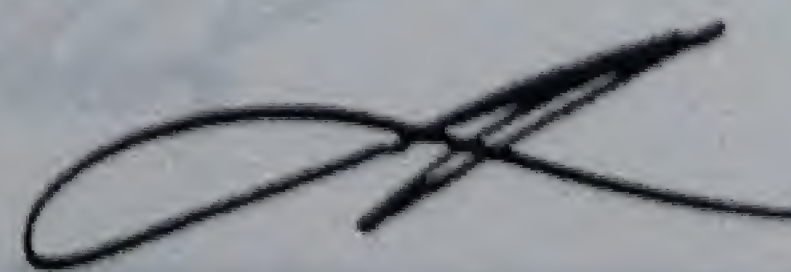
August 10, 1988

ATLANTA

2. Certificate of origin in original and 3 copies (see * below for attestation and legalization).
 3. Full set shipping company's clean on board bills of lading issued to the order of Central Bank of Iraq marked notify account party shown above and Freight Prepaid. Bills of lading must show "In transit to Iraq".
 4. Your signed statement that all packages are marked with the buyers name and address and L/C no. 88/3/2407.
 5. Shipment to be made on vessels of Iraqi State Enterprise for Water Transport or United Arab Shipping Company through their agents:
 - Arabian National Shipping Corp.
 - P. O. Box H
 - Jamaica, New York 11430
 - Tel. (New York 718-528-2200) and (Houston 713-723-2264).In the event that the above lines are not available, your must also present:
 - a. Signed statement issued by Arabian National Shipping Corp. stating that the vessel is of lines recognized by the Iraqi Authorities and approved by them.
 - b. Certificate issued by American Bureau of Shipping stating that vessel is not over 15 years of age.
 - c. Certificate issued by the steamship line or their agents certifying that the vessel is allowed to enter any Arabian port that it will call on during its present voyage.
 6. Your signed statement certifying that you have airmailed directly to the State Organization for Land Transport in Aqaba the following documents:
 - a. copy commercial invoice.
 - b. copy bill of lading.
 - c. copy certificate of origin.
 7. Packing list.
 8. Your signed certification that goods have been packed according to Internationally adopted packing specification to ensure its safe and sound arrival to final destination. In case of combined or multiple means of transport are used packing standard and measures are to be taken into consideration.
- Evidencing one or more shipments of the merchandise from U.S.A. port to Aqaba not later than October 5, 1989.

Nelson B. Lynn
9-1-89

Continued on page 3.



BANCA NAZIONALE DEL LAVORO

ATLANTA AGENCY

PEACHTREE CENTER GAS LIGHT TOWER - SUITE 2000
333 PEACHTREE STREET, NE ATLANTA, GEORGIA 30303

HEAD OFFICE:
ROME, ITALY

PHONE: (404) 521-5143
TELEX: 54-2154
CABLE: LAVOROBANK ATL
TELEX: 4579333 BNL GI
TELEFAX: (404) 523-4575

Our advice no. 20187

page 3 of 3

August 10, 1988

ATLANTA

Transshipment permitted. In case of transshipment, port of transshipment and the subsequent carrying vessels name must be indicated on the relative B/L.

Insurance covered in Iraq.

All Banking charges outside Iraq for beneficiary's account.

- * Original commercial invoice or Original certificate of origin must be legalized and attested to "name of producer or manufactures and the producing company (supplier)" of the goods. The legalization must be by Chambers of Unions of Commerce or Industry or similar bodies or organization acting for them or Joint Arab Foreign Chambers of Commerce according to the local practice in the supplying country. The attestation by the Iraqi Commercial Attache or his representative in the Iraqi Diplomatic or Consular representation in the supplying country.

- C. The remaining balance up to \$1,754,456.10 (15% invoice value) is payable against your officially signed receipt for the amount of your drawing, only after of receipt of notification from Central Bank of Iraq that have received P A C confirmed by them in favor of their client.

We have been informed by the Central Bank of Iraq that up to \$2,138,825.90 being 90% of training and technical assistance will be payable upon monthly invoices through Central Bank of Iraq. This information is given without responsibility on our part.

Please note: This letter of credit will not be valid until you receive our official notification stating that Central Bank of Iraq has received from you opened an unconditional bank guarantee for 10% of total C & F value duly accepted by opener. This bank guarantee is separate then that mentioned in Item "A" above.

Documents must be presented at our office (235 Peachtree Street, Suite 2000 Gas Light Tower, Atlanta, Ga. 30303) not later than August 5, 1990.

We hereby confirm this letter of credit and engage with you that all documents drawn under and in compliance with the terms of the above mentioned credit will be duly honored by us.

Unless otherwise expressly stated, this letter of credit is subject to the Uniform Customs and Practice for Documentary Credits (1983 Revision), International Chamber of Commerce Publication No. 400.

Very truly yours

Delano B. Lynch
7-1-88

Authorized Signature

BANCA NAZIONALE DEL LAVORO

ATLANTA AGENCY

HEAD OFFICE:
ROMA, ITALY

SEACREE CENTER GAS LIGHT TOWER - SUITE 2000
111 SEACREE STREET, NE ATLANTA, GEORGIA 30303

PHONE: (404) 581-9143
TELEX: 54-2194
CABLE: LAVOROBANK ATL
TELEX: 4979333 BNL U
TELEFAX: (404) 522-0978

Issuing Bank's Credit No: 88/3/2407

ATLANTA January 13, 1989

Our Advice No: 20187

Beneficiary

XVB Options, Inc.
2401 Reichfield Road
Bolt, Alabama 35404

Instructions Received From

Central Bank Of Iraq
New Bank Street
Baghdad, Iraq

For Account Of

Machinery Trade Company
Baghdad, Iraq

Gentlemen:

We are pleased to advise you that the above mentioned correspondent has amended the above mentioned letter of Credit as follows:

1. Air shipments directly to Baghdad is acceptable, in which case you are to present original airway bill of lading consigned to Central Bank of Iraq marked notify account party shown above and Freight Prepaid. Bill of lading must be issued by Iraqi Airways. If bill of lading issued by other carrier you must present original letter issued by Iraqi Airways authorizing carrier.
2. In the event of air shipment, you must also present a signed copy of your telex sent to buyers on same day as shipment advising name of airline, flight number and expected date of arrival.
3. In the event of air shipment, you must also present a signed copy of your letter forwarding copies of all documents required in this credit directly to buyers.
4. Shipment from European, Brazilian or Japanese port is permitted.
5. Merchandise of West German and Canadian origin is acceptable.

All other terms and conditions remain unchanged.

Very truly yours,

Richard B. Lued
7-1-89

[Signature]
Authorized Signature

The Poison Gas Connection

*Western suppliers of unconventional weapons
and technologies to Iraq and Libya*

**A Special Report
Commissioned by the
Simon Wiesenthal Center**

**Prepared by
Kenneth R. Timmerman**

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Simon Wiesenthal Center

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*"According to a Special Report commissioned by the Simon
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Simon Wiesenthal Center
Los Angeles, California
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Middle East Defense News
Paris, France
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Contents

Notes	1
About the Author	1
Executive Summary	1
I. Iraq	
Introduction	3
A. Chemical Weapons production today	3
B. The Al-Qadisiyah plant	6
C. Iraq's 'Special Relationship' with West Germany	10
D. Karl Kuhn, or the 'Secrets of Samarra'	13
E. The German government report	17
F. Short-list of German Contributors	18
G. Project 395	21
H. The WBB/Consen Connection	23
Conclusion	25
II. Libya	
Introduction	26
A. Quiet beginnings	26
B. The storm erupts	26
C. The Schauble report	26
D. The Chronology	27
E. From Rabta to Sebha	28
Conclusion: Toward a united will	29
III. Appendix	
A. Company register	30
B. A Chronology of Horror	30
C. The Schauble Report	30

*Western suppliers of unconventional weapons
and technologies to the Middle East*

Contents

<i>Preface</i>	i
<i>About the Author</i>	ii
<i>Executive Summary</i>	1
 I. Iraq	
<i>Introduction</i>	3
A. Chemical Weapons production today.....	6
B. The Akashat plant.....	9
C. Iraq's 'Special Relationship' with West Germany.....	10
D. Karl Kolb, or the 'Secrets of Samarra'.....	13
E. The German government report.....	17
F. Short-list of German Contributors.....	18
G. Project 395.....	21
H. The MBB/Consen Connection.....	23
<i>Conclusion</i>	25
 II. Libya	
<i>Introduction</i>	26
A. Quiet beginnings.....	27
B. The Storm erupts.....	28
C. The Schauble report.....	30
D. The Chronology.....	33
E. From Rabta to Sebha.....	38
<i>Conclusion: Toward a united will</i>	40
 III. Appendices	
A. Company register.....	45
B. A Chronology of Horror.....	53
C. The Schauble Report.....	

Executive Summary

The proliferation of weapons of mass destruction in the Middle East poses the greatest threat to world peace since the end of World War II.

Four distinct types of weapons are involved: chemical, biological, and nuclear weapons, and long-range delivery vectors such as ballistic missiles or Iraq's "super-gun."

Four Middle Eastern nations have spent large sums of money to acquire these weapons and technologies: Iraq, Libya, Syria, and Iran. Except for Iran, all are still in a state of war with Israel. While none of these four is yet believed to have acquired nuclear weapons, Iraq, Syria and Libya have extensive arsenals of chemical weapons, and at least two - Iraq and Libya - have used them in combat.

In a speech broadcast by Iraqi television on April 2, 1990, Iraqi President Saddam Hussein threatened to "burn half of Israel" in the event of an Israeli attack on Iraq. Later, Iraq's Ambassador to the United Nations, Abdul-Amir al Anbari, extended the definition of an Israeli attack to include an attack by U.S. warplanes, since their pilots were really Jews in disguise "who have been issued American passports and whose planes have received American markings." (BBC World Service, August 8, 1990). By Iraqi accounts these threats, if carried out, would involve a massive launch of Iraqi-made ballistic missiles loaded with poison gas against Israel's densely-populated coastal plain. The death toll from such an attack could reach into the hundreds of thousands.

The Poison Gas Connection

I. Iraq

Introduction

Over the past ten years, Iraq has imported more than \$50 billion in modern weaponry, and this is a conservative estimate¹ While the bulk of Iraqi army purchases (tanks, armored vehicles and artillery) came from the USSR, much of Iraq's best weaponry was bought from the West. From Italy, Iraq purchased modern frigates and missile boats worth more than \$3 billion. From Britain and Holland, Iraq purchased frequency-hopping radios and other electronics gear. From France, Iraq purchased more than \$15 billion worth of sophisticated weaponry, including 133 Mirage F1 fighter-bombers, 140 armed helicopters, 1,000 armored vehicles, 884 Exocet missiles, 20,000 HOT and Milan anti-tank missiles, and 2,500 air combat missiles.²

Even when the credit crunch began to take its toll in 1987-88, Western arms makers were making fabulous profits on Iraq. Iraqi arms purchasers were welcomed as VIP guests in most Western capitals. As Christopher Cowley, an engineer now under indictment in Britain for his role in the supergun affair, told a recent BBC *Panorama* broadcast, "This was a very, very large cake that had to be cut up. We were talking about not millions or hundreds of millions, we were talking about billions of pounds. And every European Government wanted their share of that cake."³

There was nothing illicit about the Iraqi arms purchases. This entire conventional weapons arsenal was purchased above the board.

The Poison Gas Connection

The control
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barbarous use of
Geneva Protocol b
agents. This was fo
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The controls: Numerous international conventions exist to control the flow of strategic weapons technology and their use in war. The barbarous use of chemical weapons during WWI led directly to the 1925 Geneva Protocol banning the wartime use of chemical or bacteriological agents. This was followed by the 1972 Biological Weapons Convention, which outlaws the production and use of toxins.

Starting in 1984, concern over Iraq's use of poison gas in the Gulf war led several Western countries to enact laws establishing "watch lists" of precursor chemicals, and to impose some form of export controls on their purchase. But Iraq simply sidestepped the countries with more or less effective export controls (such as the U.S.) for its CW purchases, and concentrated its efforts on others (such as West Germany) where the controls either did not exist or were not enforced.

Iraq's widespread use of poison gas, first against Iran, and later against its own Kurdish population, showed that haphazard export controls and declarations of intent were not enough. Concern with Iraq's use of poison gas, and with Libya's poison gas manufacturing plant at Rabta, led directly to the convening of the January 1989 Paris Conference on Chemical Weapons. But heavy lobbying by Iraq and its Third World allies prevented the Conference from reaching agreement to ban the production and stockpiling of chemical weapons. Meanwhile, Iraq has built up its own domestic chemicals industry, making international controls of the type the Paris Conference *might* have passed ineffective before ink could ever dry on the paper.

Even fewer controls existed on ballistic missile technologies until the United States and six Western allies (Canada, France, Great Britain, Italy, Japan, and West Germany) signed the Missile Technology Control

The Poison Gas Connection

A recent French intelligence estimate, quoted by the newsweekly *l'Express*, identifies three major CW production sites in Iraq, located near the towns of Samarra, Fallujah, and Akashat. Major CW stockpiles are currently maintained north of Fao, at a military laboratory at Balad air base to the north of Baghdad, and in underground stores near the holy city of Kerbala. The production plants, which were designed, built, and equipped by Western companies - most of them German - are now producing from between 1,400 to 2,500 tons of CW agents every year, including mustard gas, cyanide, somar, sarin and tabun.⁷

But even this troubling estimate may fall way short of the mark. *Der Spiegel* reported recently⁸ that a German firm, W.E.T.GmbH, built production lines for Tabun and Sarin nerve gas in Fallujah (identified in contractual documents as Project 33/85) capable of manufacturing 17.6 tons of nerve gas *per day*. For 300 effective production days, this plant alone was therefore capable of putting out 5,280 tons of nerve gas per year - more than twice the maximum estimate advanced by the French for Iraq's entire yearly production of CW agents!

U.S. intelligence officials unequivocally identify Iraq as "the most experienced country in the world" when it comes to the production and use of chemical weapons. Speaking in interviews during the Paris Chemical Weapons conference in January 1989, the officials noted that the Iraqis had "solved the production problem, [and] know how to fill munitions. So they come out of [the Gulf] war more experienced than the U.S. and the Soviet Union" in all aspects of chemical warfare. These sources said the United States had identified seven fully-dedicated CW production facilities in Iraq.⁹

Kühn, has delivered small quantities (100 milligrams each) of the deadly Mycotoxins TH-2 and T-2.¹¹

B. The Akashat plant

Iraq first sought to acquire CW agents and technologies abroad in the mid-1970s. Initial attempts were made to purchase precursor chemicals in the United States, but these were blocked by tough on-site inspection requirements by the Carter Administration and by safety considerations brought up by the companies themselves.¹² "At that time," noted Washington Post journalist David Ignatius, "Iraq's main enemy wasn't Iran, but Israel. And it may be Israel, in the long, run that has the most to fear from Iraq's chemical-weapons arsenal."

Iraq intensified its world-wide search for chemical weapons in 1981, when a raid by Israeli Air Force F-16s smashed Iraq's French-built nuclear reactor, and with it, Saddam Hussein's dream of making Iraq the first Arab nation to possess the Islamic Bomb - at least, temporarily. Iraqi agents scoured the world for the materials needed to produce rudimentary chemical weapons such as mustard gas (yperite). This blistering agent, British researcher Julian Perry-Robinson has commented, "is about the easiest CW agent to make once you've got hold of a few common ingredients."¹³

Iraq's first mustard gas plant was completed and in operation by 1983, and appears to have been built with the help of Italian chemical giant Montedison, which was also involved in shipments of CW precursors to Iraq from KBS and Melchimie in Holland, and Atochem in France.¹⁴ Engineering expertise was provided Technipetrol, an Italian

The Poison Gas Connection

Ministry's Military Production Authority (MPA). He is the father of Iraq's chemical weapons programs and of its ballistic missiles. He is also the mastermind behind Iraq's clandestine procurement programs in the West.

In a May 1989 interview, Amer al Saadi explained that Iraq had been seeking from the very start to acquire manufacturing technology for its strategic weapons programs, to soften the bite of an eventual embargo. "When we wanted things that we could not obtain from the outside for one reason or another, we made them ourselves. I am personally grateful to many of the "No's" we received from our arms suppliers. This made us insist, and concentrate our efforts" on the procurement of manufacturing technologies. These efforts, Saadi said, had been so vast and so successful that Iraq now has "export capacity" in certain chemicals, including military black powder.¹⁶

A fluent German speaker, married to a German wife, Dr. al Saadi naturally turned to West Germany in the early 1980s when Iraq needed to make discreet, large-scale purchases of chemicals weapons precursors and the technology to manufacture them in Iraq. In doing so, he was able to draw on his extensive knowledge of that country, its language, and culture.

He was also motivated by a keen appreciation of West German export control laws, which until very recently were the most lax in the entire Western world.

One early attempt by a West German chemical manufacturer to export CW precursors to Iraq was blocked in 1981, after a tense exchange between the incoming Reagan Administration and the government of then-Chancellor Helmut Schmidt. It involved a company whose very

As a general rule, Spieg
their role as "helping industr
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than three thousand sophistic
Soviet military industries in v
refueling probes sold to the Li

The Poison Gas Connection

this kind approved by Eschborn in recent years have included more than three thousand sophisticated machine-tools sold since 1986 to the Soviet military industries in violation of COCOM rules¹⁹, in-flight refueling probes sold to the Libyan Air Force in contravention of German law²⁰, nuclear reprocessing technology sold to Pakistan in violation of the Non-Proliferation Treaty²¹, chemical weapons delivered to Iraq and Libya, and gas ultracentrifuges capable of enriching uranium for Iraq's nuclear weapons program.²²

This centrifuge case, which focuses on the H + H Metalform Company of Drensteinfurt, is incredibly the only investigation currently being pursued by the West German authorities involving nuclear technologies. But published accounts show that several other companies were involved, including the West German nuclear consortium Nukem, and half a dozen speciality steel companies..²³

D. Karl Kolb, or the 'Secrets of Samarra'

Iraq's main CW production complex is located on a 25 square kilometer plot in the desert 120 km north of Baghdad, near the holy city of Samarra. The plant is managed under the auspices of the State Establishment for the Production of Pesticides, or SEPP, and is run by a certain Dr. Al Ani. A BBC "Panorama" documentary broadcast on October 27, 1986 revealed extensive details of the complex, including a SPOT satellite photograph. A separate CW manufacturing plant was

The Poison Gas Connection

glass-lined reactor vessels needed for mixing such lethal compounds as Sarin and Tabun nerve gas. Other equipment was subcontracted out to a West German company called Quast, located at Inden-Pier, near Duren by the Dutch border.

After repeated American protests, Chancellor Helmut Kohl is said to have intervened to stop the supplies in August 1984²⁷. But Karl Kolb eventually sued the government, and won. In October 1984, two Karl Kolb engineers returned to Iraq to inspect two brand new poison gas production lines called "Ahmed 1" and "Ahmed 2."²⁸ In other words, despite the posturing of the Kohl government, the gas business went on as usual. In fact, Karl Kolb kept supplying Iraq for at least another four years, with little or no intervention from the West German government.²⁹

"During those years," according to one West German Parliamentarian, "the Americans sent over one thousand "non-papers" to the German government" on the Iraqi poison gas programs, and the involvement of German companies. "They were simply filed away and ignored."³⁰

In the meantime, another West German company, Water Engineering Trading (W.E.T.), was identified in press reports of having signed a 20 million DM contract with Iraq in 1985, to build production lines at a SEPP complex in Fallujah, one for tabun and another for sarin. The contract, known as "Project 33/85," included delivery of 17.6 tons of phosphorus trichloride, a known nerve gas precursor. A follow-on deal was signed by W.E.T. in June 1987. One hundred West German technicians and workers were sent to Iraq to supervise construction and installation³¹

The Poison Gas Connection

Iraq's leaders had a curious notion frequently referred to Iran's human wave "insects." As one broadcast from Baghdad it, Iraq had prepared "a certain insecticide for

E. The German government report.

The real "secret" of Samarra long. Despite

Iraq's leaders had a curious notion of human life. Iraqi generals frequently referred to Iran's human wave attackers as so many "insects." As one broadcast from Baghdad Voice of the Masses radio put it, Iraq had prepared "a certain insecticide for every kind of insect."³⁵

E. The German government report.

The real "secret" of Samarra was how it remained a secret for so long. Despite the early press coverage of German involvement in building the plant, little or nothing was done to stop it in Bonn. The Kohl government admitted as much when it presented its only public report to Parliament on the Samarra plant. That report was dated December 20, 1988.³⁶ In other words - more than four years after the first accounts appeared in the press about poison gas deliveries to Iraq, and five years after the first backdoor warnings from the U.S. government about the involvement of German companies.

In its 1988 report, the German government states that its investigation into illicit chemical weapons sales to Iraq only began in November 1987. On November 25, 1987, the German police carried out searches on 29 individuals and/or companies, the report states, believed to be engaged in chemical weapons sales to Iraq. Seized documents were turned over to German Customs. The report named the following German companies as the principle offenders:

- W.E.T. (Walter Engeneering Trading) GmbH of Hamburg;
- Karl Kolb GmbH & Co KG, of Creieich bei Offenbach;
- Pilot Plant GmbH, of Dreieich;
- Prussag AG, of Hannover; and

The Poison Gas Connection

Aviatest (Rheinmetall subsidiary): production equipment for the Samarra plant
wind tunnels to the Saad 16 R&D complex in
Mosul

BP (Germany): chemicals research equipment

Blohm (a Körber AG subsidiary): machine-tools to the Saad 16 R&D center

Carl Zeiss: unspecified equipment to CW plants

Degussa: unspecified equipment to Saad 16 R&D center

Fritz Werner Industrie : CNC machine-tools

Gildemeister Projecta GmbH: Main contractor for Saad 16 R&D research
center, which was signed on 16/1/84

Heberger Bau GmbH: Construction work on chemical weapons plants

I.B.L. Engineering: Construction of CW plants; used as middleman by
Preussag for CW equipment deliveries

Infraplan: Nerve gas plant in Falluja (Project 9230)

Integral/Sauer Informatic/ICME: Computer programming for Saad 16 R&D
complex

Iveco/Magirus- Deutz: Vehicules for mobile toxicological laboratories

Josef Kühn: Bacteriological weapons (Mycotoxins TH-2, T-2)

Karl Kolb: Principle supplier of equipment and chemicals
for Samarra plant. In July 1987, got additional
order to contribute to chemical weapons research
lab at Saad 16.

Körber AG: machine-tools for Saad 16

KWU: nuclear technology

Mauser: machine tools for weapons production; weapons
R&D

G. Project 3

Poison gas is
coupled to ballistic
targets hundreds of

The Poison Gas Connection

Aviatest (Rheinmetall subsidiary): production equipment for the Samarra plant
wind tunnels to the Saad 16 R&D complex in
Mosul

BP (Germany): chemicals research equipment

Blohm (a Körber AG subsidiary): machine-tools to the Saad 16 R&D center

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Fritz Werner Industrie : CNC machine-tools

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Integral/Sauer Informatik/ICME: Computer programming for Saad 16 R&D
complex

Iveco/Magirus- Deutz: Vehicules for mobile toxicological laboratories

Josef Kühn: Bacteriological weapons (Mycotoxins TH-2, T-2)

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order to contribute to chemical weapons research
lab at Saad 16.

Körber AG: machine-tools for Saad 16

KWU: nuclear technology

Mausser: machine tools for weapons production; weapons
R&D

G. Project 395

Poison gas is inherent
coupled to ballistic missile
targets

The Poison Gas Connection

Aviatest (Rheinmetall subsidiary):	production equipment for the Samarra plant wind tunnels to the Saad 16 R&D complex in Mosul
BP (Germany):	chemicals research equipment
Blohm (a Körber AG subsidiary):	machine-tools to the Saad 16 R&D center
Carl Zeiss:	unspecified equipment to CW plants
Degussa:	unspecified equipment to Saad 16 R&D center
Fritz Werner Industrie :	CNC machine-tools
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Heberger Bau GmbH:	Construction work on chemical weapons plants
I.B.I. Engineering:	Construction of CW plants; used as middleman by Preussag for CW equipment deliveries
Infraplan:	Nerve gas plant in Falluja (Project 9230)
Integral/Sauer Informatic/ICME:	Computer programming for Saad 16 R&D complex
Iveco/Magirus- Deutz:	Vehicles for mobile toxicological laboratories
Josef Kühn:	Bacteriological weapons (Mycotoxins TH-2, T-2)
Karl Kolb:	Principle supplier of equipment and chemicals for Samarra plant. In July 1987, got additional order to contribute to chemical weapons research lab at Saad 16.
Körber AG:	machine-tools for Saad 16
KWU:	nuclear technology
Mauser:	machine tools for weapons production; weapons R&D

G. Project 395

Poison gas is inherently a w
coupled to ballistic missiles, capab
targets hundreds of kilometers awa
weapon, capable of altering the e
pow

The Poison Gas Connection

Project 395

Poison gas is inherently a weapon of barbarity and terror. But coupled to ballistic missiles, capable of delivering CW warheads to targets hundreds of kilometers away, poison gas becomes a strategic weapon, capable of altering the regional, and even global balance of power.

Project 395 is the overall name given by Iraq's Military Production Authority to its ballistic missile projects. From the very start, Iraq has developed these and other delivery vectors (long-range penetration bombers, such as the Mirage 2000, or the "super-gun" of assassinated Canadian ballistics engineer, Dr. Gerald Bull) as a means of extending its influence throughout the Middle East, and from there, to the entire Mediterranean world. Like the chemical weapons programs, Project 395 was spearheaded by Iraq's German-trained chemist, Lt. General Dr Amer Hammoudi al Saadi.

There were four main parts to Project 395.

- a state-of-the-art research and development complex, called Saad 16, engineered by German and Austrian firms in Mosul;
- a "metal-bending" plant, where missile bodies were altered (for the SCUD-B upgrades), or manufactured from scratch (for Iraq's solid-fuel missile projects). This was dubbed Project 124, and was co-located with the Tabun and Sarin production plant near the town of al-Fallujah;
- a solid fuel propellant manufacturing plant called Project 96, built at al-Hillah, 17 km south of Baghdad. This was where the British

The Poison Gas Connection

- On September 3, 1985, an American firm sought to export a high speed electronic computer system for use in the complex (DoC case B042361). The case was suspended.

- On December 26, 1985, an American company sought to export a 10 MHz-40 GHz scalar network analyzer system to Saadi 16 (DoC case B075875). The case was approved without condition.

Even after the signature of the MTCR, a few cases got through. Among them were these:

- On June 3, 1987, a U.S. company requested permission to export a 19.9 Mbit computer system to Saad 16 "for process control and data evaluation (DoC case 232594). The case was approved without conditions.

- On April 28, 1988, an American firm tried to export two linear microcircuits to the University of Mosu for use in an oscilloscope (DoC case B320131). The case was approved without conditions.

But for the most part, the MTCR forced Iraq to seek engineering and state-of-the-art missile technology elsewhere.

Once again, it turned primarily to West Germany.

H. The MBB/Consen Connection

According to press accounts appearing in Austria, West Germany, and Great Britain, Messerschmidt Bölkow Blohm was the prime contractor of Iraq's solid fuel missile programs.³⁹ Norbert Gansel, the Opposition Parliamentary expert in Bonn, says MBB began a basic research program in Iraq in 1984, but told the West German government it would "phase out" its cooperation with Iraq in 1985 because the military purpose of the program had become known.⁴⁰ By 1987, MBB was

The Poison Gas Connection

blueprints for the Saad 16 plant;

- Hutter und Shranz, a construction firm that sent workers to build weapons labs at the Mosul site;
- Ilbau, an explosives expert that provided special "blow-out walls" for the missile test labs and explosive labs. If there was an accident, these shelters were designed to pop-out to allow explosive energy to escape instead of destroying the entire building;

In Germany:

- Blohm Maschinbau, Waldrich-Siege, and Fritz Werner provided Computer-controlled numerical machine-tools for various weapons plants;
- Gildemeister Projecta of Bielefeld provided a wide variety of machine-tools, engineering and contracting services, and was the prime contractor for the Saad 16 facility;
- Integral/Sauer Informatic/ICME, provided 10.6 million DM of computer programs;
- Leifeld & Co provided sophisticated rocket nozzles, a stumbling block to many Third World missile programs;
- Siemens provided special electronics for the automatic control of complex rocket fuel mixtures;

Other suppliers are listed in the data base in the appendix.

Conclusion

Iraq has pursued its strategic weapons plants with a determination rarely seen in the Third World. Its engineers and industrial managers

The Poison Gas Connection

It was Libya's construction of a poison gas plant at Rabta more than anything else (including Iraq's use of poison gas during the Iran-Iraq war) that drew international attention to the problems of CW proliferation in the Middle East.

The outlines of the Rabta story have been widely reported in the international press. For this reason we shall only summarize the Rabta affair in the account below. Instead, we shall focus on the political question of what the West German government knew about the sale of CW technology to Libya, and when they knew it.

The involvement of a wide-ranging network of West German companies in the construction of the Rabta complex became an acute embarrassment to the Kohl government, and led to the disclosure of one of the most extraordinary public documents ever released. We shall draw extensively from the Schauble report, which reveals previously classified information developed by the Federal Intelligence Service (BND) and other agencies, in the account below. It is a story of duplicity, willful blindness, and outright lying.

A. Quiet beginnings

At the State Department briefing on Wednesday, September 14, 1988, Spokesman Charles E. Redman was prepared to launch a bomb.

It may be that Redman and his superiors in the Reagan Administration really believed the West German and Japanese governments would own up to the fault the State Department was about to ascribe to them, and quietly clean up their act. If so, they were mistaken. For when Redman announced that the United States had

The Poison Gas Connection

photographs and the names of the companies, according to an official," the Post account read. The West German "official" added: "We have asked for more."⁴⁸

That same day, West German Foreign Minister Hans-Dietrich Genscher added his voice to the chorus of complaint. Bonn had "no evidence" proving a West German company had helped Libya build a poison gas plant, the Associated Press reported from Bonn.⁴⁹ A spokesman for Mr. Genscher said that West Germany had asked the United States for "additional material" to back up its assertions. Helmut Kohl later complained about the American mud-slinging campaign. "This is no way to treat friends."⁵⁰

Only on January 12, 1989 did the West German authorities manage to seize twelve boxes of documents containing some of the Rabta contracts from the offices of an Iraqi-born middleman, Ihsan Barbouti. Barbouti's IBI Engineering was said to have orchestrated the international procurement effort for the Rabta plant, and may have played a role in Iraqi CW procurement schemes as well. He has since disappeared.

An investigation by Business Week showed that the President of Imhausen, Dr. Jürgen Hippenstiel-Imhausen, had taken an old-timer's black market route. To sell poison gas to Libya, he had gone through Hong Kong, where he set up a shell company called Pen-Tsao-Materia-Medica-Center Ltd.⁵¹ A wide net of European and American companies was subsequently proved to have provided critical help for the plant, including:

The Poison Gas Connection

vital information developed by West German intelligence on the Ra case had not reached the West German Chancellor in time, because it had been blocked by his deputy for Security Affairs, State Secretary Waldma Schreckenberger.⁵³

Schauble presented his report to the Bundestag on February 17, 1989, two days after it had been adopted by the German Federal Government. It includes a detailed chronology of what the various West German intelligence services knew about the Libyan poison gas project as early as April 1980, and shows that Imhausen-Chemie was clearly identified as a potential supplier to the Rabta plant on July 5, 1985. Although the Schaulble report attempts to innocent the West German government of any responsibility, it is a stirring exposé of the kind of willful blindness that has characterized German attitudes toward poison gas from the very start.

The following remarks are drawn from the Report's preamble:

"Only the information which the Federal Intelligence Service (BND) received on 15 July 1988 was substantial enough to justify preliminary investigations of Imhausen's involvement. The Customs Criminological institute (ZKI) immediately began those Investigations after the information had been evaluated by the BND."

In other words, five months before the U.S. blew the whistle, not only did the West German government know that Libya was building a poison gas plant, but it had substantial evidence proving the involvement of a West German company. And yet, Chancellor Kohl and his Foreign Minister still pleaded ignorance.

"Previous information relating to the possible involvement of German firms," the report goes on, "had been extremely vague and

- know-how, blue
pharmaceutical factory.
Libya. However, at that
the control

pharmaceutical factory. These items might have been reconsigned to Libya. However, at that time no licence was required for the export of the control unit, even to Libya. Under the existing regulations, the export of know-how for the construction of the chemical facilities specified in Part I, Section D is likewise not subject to a licence. And as far as the presence of German engineers and technicians in Libya is concerned, their involvement in the construction of chemical weapons facilities abroad, either in the form of physical work or of technical consultancy, does not constitute a breach of the law."

All in all, the Schauble Report is a remarkable and frank presentation. It unabashedly reveals the shortcomings of West Germany's legal framework, and suggests how similar cases could occur elsewhere.

D. The Chronology

What follows is a select chronology extracted from the Schauble Report. Interested readers can find the full text in the Appendix.

- 22 April 1980. The BND reports that, with the help of unnamed East and West German experts, Libya is developing a plant for the manufacture of chemical warfare agents as well as a system for using them..."
- 22 July 1981. The BND reports that Libya remains committed to the production of chemical warfare agents and is currently endeavoring to purchase the basic chemicals needed for this purpose in Italy and Spain.

The Poison Gas Connection

7 February 1986.

The BND reports on news from an allied intelligence service according to which 100 tons of sodium fluoride may have been shipped from Zeebrugge to Libya on the Panamanian freighter "Capira" at the beginning of October 1985. This is said to involve a German shipping company identified by name.

28 October 1986.

The Federal Office for the Protection of the Constitution (BfV) is requested by an allied intelligence service to supply intelligence on the IBI business operation in Frankfurt in the light of its belief that ...[it] had been commissioned to set up a microbiological research centre in Libya... since there is no apparent terrorist background, the data is not stored. Other authorities were not informed at the time. A renewed inquiry on 18 August 1987 led to the same treatment of the matter.

22 June 1987.

Daily briefing by the BND. According to information from an allied intelligence service, a warfare agents factory is about to be completed near Rabta with a production capacity estimated at 1 to 3 tons of sarin per day.

3 August 1987.

The BND confirms from its own intelligence (SPOT satellite pictures) that the new industrial plant near Rabta is most likely the new warfare agents factory.

3 February 1988.

The German embassy in Tripoli reports that after questioning representatives of German construction firms investigations have shown that no German companies are involved in the construction of the research facility in Gharyan (Rabta). The supply of equipment has mainly been organized via Switzerland, with German intermediaries and German companies being thought to be involved.

The Poison Gas Connection

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The Poison Gas Connection

Administration appears for a stop to any assistance to Libya for the development of its own capability to manufacture and use chemical weapons.

20 October 1988.

The Federal Chancellor is briefed for the first time on the information gathered by the intelligence services in relation to Libyan efforts to establish a warfare agents factory... This summary also mentions possible involvement of the German company Imhausen.

2 Nov 1988.

The BND makes contact with an informant who, under certain conditions, is prepared to supply business documents of the companies allegedly involved in Rabta.

11 Nov 1988.

The AA presents a written briefing to Federal Minister Genscher for his talks in Washington proposing that he make the following points:

- US evidence provided in October 1988 has been looked into, but so far nothing has been found on Germans or German firms violating the Foreign Trade and Payments Act.
- There is no verified information on the activity of Germans in the Libyan chemical weapons plant. Even if this were the case, the Federal Government would have no effective lever to prevent the mere participation of Germans in such projects.

11 Nov 1988.

The information hands over documents to the BND so that it can check the authenticity of the material he intends to supply.

15 Nov 1988.

At the meeting with Secretary of State Shultz in Washington the Federal Chancellor and foreign Minister Genscher are given evidence by CIA Director Webster on the involvement of German

The Poison Gas Connection

Sarin nerve agent a day - more than most estimates of Iraq's poison gas production⁵⁴. While there is no evidence that Rabta ever reached this level of production, the plant was restarted once the initial uproar died down and produced an initial batch of 30 tons of mustard gas. ABC News reported on March 6, 1990 that production of nerve and mustard gas had begun once again in late 1989. The State Department confirmed the report at a briefing the next day.⁵⁵

One week after these reports, a mysterious fire was said to have broken out at the Rabta plant. In fact, the fire appears to have been an elaborate hoax dreamed up by Colonel Qaddafi as a means of forestalling an American air strike against the plant. A comparison of SPOT Image photos of the Rabta site taken on March 12, 1990 (before the alleged fire) and on March 18, 1990, showed "no trace of a major fire on any of the principle buildings."⁵⁶

During a visit to Israel on May 13, 1990, Chancellor Kohl's new State Secretary for Intelligence, Lutz Stavenhage, revealed disturbing news. "We have reason to believe that a second plant similar to Rabta is being planned," Stavenhage told newsmen. "We successfully managed to cut that part out in which German companies have been involved."⁵⁷ The factory was believed to have been built deep in the desert, 650 km south of Tripoli, on the site of the former Otrag n. Der Spiegel reported on May 7, 1990 that Sebha was already up and running and producing napalm, with hydraulic hoists. German industrial equipment giant, Thyssen.

enormous costs of stopping the expansion of Saddam Hussein.

One editorialist in the French newsweek for a "Technological apartheid" against Third World Libya and Iraq. He argued that high-tech resulted from the

41
economic costs of stopping the expansionist drive of leaders like Saddam Hussein.

One editorialist in the French newsweekly *l'Express* recently called for a "Technological apartheid" against Third world countries such as Libya and Iraq. He argued that high-tech purchases more often than not resulted from the "meglomaniac desires" of local elites than from any true need of Third World populations. "By refusing to transfer to Third World nations the *nec plus ultra* of its capacity for innovation, the West will in fact benefit local populations instead of their elites." 58

Three distinct technology control regimes already exist: COCOM, which controls strategic technology exports to the former Soviet bloc; MTCR, which controls ballistic technology exports to the Third World; and the Non-Proliferation Treaty which controls the spread of nuclear technologies to non-nuclear nations. Despite haphazard efforts in the area of chemical technologies since 1984, no unified control regime now exists, primarily because of pressure from the Third World.

The time has come to envisage setting up such a CW control regime, whose partners would not only include the U.S. and Europe (East and West combined), but major Third World producers such as India, Brazil, and the "dragons" of Southeast Asia.

Editor's Note:

This special report has been compiled from open sources and from primary sources in interviews by the author with government officials, industry executives and members of the intelligence community. Only open sources have been disclosed in these references.

¹Figures for the 1978-87 period (more than \$52 billion), taken from the Arms Control and Disarmament Agency, *World Military Expenditures and Arms Transfers*, 1988 edition.

²Middle East Defense News/*Mednews* (10, rue de l'Union, 78600 Maisons-Laffitte, France), 3,21/22 (27/8/90); *L'Express*, Sept 7-13, 1990. The Federal Republic of Germany, prohibited from most foreign arms sales by its Constitution, piggy-backed onto many of the French sales to Iraq through co-production agreements (MBB and Aerospatiale were full partners in the Euromissile consortium which marketed the HOT, Milan, and Roland missiles). Other West German arms sales to Iraq, such as BO 105 anti-tank helicopters, went through intermediaries in Switzerland, Holland, and Spain.

³"Saddam's Secret Arms Ring," *BBC Panorama*, 3/9/90.

The Poison Gas Connection

Today, no one truly knows how far Iraq is from acquiring a nuclear weapons capability. Estimates range from two to ten years. But one thing is sure: if Iraq does get the bomb, the West will have played a key role.

²⁴Mednews 2,2/3 (24/10/88).

²⁵Mednews 2,2/3

²⁶New York Times, March 30, 1984.

²⁷Herbert Krosney, *Jerusalem Post*, 24/11/86.

²⁸Ibid. Krosney reported that these new lines were capable of processing up to 4,000 liters of raw chemicals for poison gas every month.

²⁹Norbert Gansel, a Social Democrat member of the German Bundestag, gives a detailed account of how the Kohl government kept Parliament misinformed of the Samarra case, and of missile technology exports to Iraq, in a Parliamentary briefing paper dated 28 October 1989 entitled "Die deutsche Raketenlücke."

³⁰Interview with the authors, 19/9/90.

³¹*Stern* 10/1/87. *Stern* initially identified the location of the sarin and Tabun production lines as Samarra, but subsequent accounts agree that it was set up in Fallujah.

³²BBC *Panorama*, "Secrets of Samarra," 4/11/86.

³³*Stern* 10/1/87.

³⁴*Stern*, 10/1/87.

³⁵Quoted by David Ignatius, op cit, from a 1982 broadcast.

³⁶This two-page report had the epic title: "Zwischenbericht über den Stand der staatsanwaltschaftlichen Ermittlungen wegen des Verdachts illegaler Ausfuhren von Ausrüstungsteilen zur Produktion chemischer Kampfstoffe im Irak." Drucksache 11/3762.

³⁷*The Independent*, 6/9/89.

³⁸Source: internal DoC documents, made available to Mednews on the condition their source remain anonymous.

³⁹*Profil*, 8/5/89; *Financial Times*, 20/11/89; various editions of *Stern* and *Der Spiegel*

⁴⁰Social Democrat Party Parliamentary briefing paper dated 28 October 1989 entitled "Die deutsche Raketenlücke."

⁴¹*Profil*, 8/5/89

⁴²Alain Friedman, "The Flight of the Condor, *Financial Times*, 20/11/89) produces a replica of the Consen Group organization chart, reconstructed from internal company documents.

⁴³BBC *Panorama*, 3/9/90.

⁴⁴Sources at the U.S. Senate Foreign Relations Committee said they were investigating a possible conflict of interest that could prohibit MBB from future U.S. defense contracts.

⁴⁵Hearings before the Senate Foreign Relations Committee, March 1, 1989, in *Chemical and Biological Weapons Threat: the Urgent Need for Remedies*; Washington, DC, 1989.

⁴⁶Wire service dispatches, 14/9/88, and *International Herald Tribune*, 15/9/99.

The Poison Gas Connection

.c2.A. Company register

The company register, developed from Middle East Data Project® files, contain listings for over 200 companies that have been involved in supplying Iraq with chemical, ballistic missile, or sophisticated weapons technology.

They do *not* include conventional weapons exports. Conventional weapons exports, which have been compiled by the Middle East Data Project®, involve more than 1,000 companies in nearly thirty nations.

Abbreviations:

BW = biological/bacteriological weapons

CW = chemical weapons, technology, and/or precursor chemicals

MT = missile technology and/or manufacturing equipment

Nuclear = nuclear weapons and uranium enrichment, technology, equipment, and materials

WT = weapons technology and/or manufacturing equipment. This category primarily focuses on the "super-gun" case.

Data base

Iraq's sources of unconventional technologies

Company	Country	Type	Equipment delivered	Source
Aerotech (Buenos Aires)	Argentina	MT	Consen group, missile tech	FT 20/11/89
Conseltch SA	Argentina	MT	Consen group, missile tech	FT 20/11/89
Intesa S.A. (Cordoba)	Argentina	MT	Consen group, missile tech	FT 20/11/89
AST Consult Co	Austria	CW	Laboratory construction	Profil, 6/3/89
Consultco	Austria	CW	SAAD 16 construction	Spiegel 13/89
Emmerich-Assman	Austria	CW	Owner of Hutter and Schrantz	Profil 6/3/89
Feneberg	Austria	CW	Construction planning	Profil, 24/4/90
Lenhardt Metal Construction and Roofing	Austria	CW	Steel construction, CW plant	Kurier, 13/1/90
Neue Berger	Austria	CW	Percursor chemicals	Austria State Radio, 4/1/89
Swatek and Cerny	Austria	CW	Sanitary equipment	Profil 6/3/89
Consultco	Austria	MT	Saad 16 Engineering	Stern 26/1/89
Delta Consult Studien GmbH	Austria	MT	Electronics, plans (Consen)	Kurier, 13/5/90
Delta System GmbH	Austria	MT	Consen group; missile tech	FT 20/11/89
Girozentrale Bank	Austria	MT	Financing of weapons lab	Profil 6/3/90
Hutter und Shranz	Austria	MT	Construction of weapons lab	Profil 6/3/89
Ilbau	Austria	MT	Blow-out walls, missile plant	Profil, 8/5/89
Denzel	Austria	WT	Helicopters from MBB	AFP
Hirtenberger	Austria	WT	Percussion caps and traction machines	Profil 13/8/90
Steyer-Daimler-Puch	Austria	WT	Nonferrous-metal cartridge case facility	Profil 24/4/90
Voest-Alpine	Austria	WT	GC-45 Howitzers	The New York Times Magazine 26/8/90
Philips Petroleum	Belgium	CW	Thiodiglycol sold to KBS	BBC Panorama 2/2/87
Sebata	Belgium	CW	Built CW plant	The Washington Post 25/8/90
PRB (Poudrieres Reunies de Belgique)	Belgium	MT	Solid fuel, munitions/rockets	Groot Bijgaarden De Standaard 17/5/90, WSJ 19/4/90, At Tayar 4/9/90
Amalgamated Trading Ind. (ATI)	Belgium	WT	Super-gun	Groot Bijgaarden De Standaard 18/5/90, Monde et Vie
Cockerill	Belgium	WT	Super gun parts	
Forges de Zeebrugge Herstal	Belgium	WT	Super gun parts	
Six Construct	Belgium	WT	Air base construction	Mednews 3,21/22 (27/8/90)
Space Research Corp	Belgium	WT	Super-gun prime contractor	
Avibras	Brazil	MT	Joint missile R&D programs	Mednews 1,12 (21/11/88)
Companies Inc.	CH	CW	Chemical percursors	New York Times 31/1/89
IFAT Corp Ltd	CH	CW	Engineering, Saad 16	Spiegel 18/89, Profil 24/4/89
Condor Projekt A.G.	CH	MT	Consen group, missile tech	FT 21/11/89
Consen S.A. (Zug)	CH	MT	Missile technology; provided 150 electronics and computer engineers	FT 20/11/89; NBC News 30/6/89, Kurier (Austria) 13/5/90
Desintec A.G. (Zug)	CH	MT	Consen group, missile tech	FT 20/11/89
Schaeublin	CH	Nuclear	Tools for nuclear facility	Berliner Tagesspiegel 22/8/90
Schmiedemeccanica	CH	Nuclear	Centrifuge assemblies	Tages Anzeiger 3/9/90, Berliner Tagesspiegel 22/8/90

The Poison Gas Connection

Sigma-Bayern Vehicle Construction
 Sigma-Labortechnik
 Sigma Chemie
 Sigma Chemie
 W.E.T Engineering
 WTB Walter Thost Boswau
 AEG

Rhein-Bayern Vehicle Construction
Rhema-Labortechnik

Sigma Chemie
Sigma Chemie
W.E.T Engineering
WTB Walter Thost Boswau
AEG

Blohm Maschinbau

Brown Boveri
Daimler-Benz
Degussa

Fritz Werner Industrie Ausrüstungen

Gildemeister Projecta GmbH

GPA
Integral/Sauer Informatic/IC:E
Leifeld & Co
M.A.N.

Maschinenfabrik Ravensburg
Mauser-Werke
MBB

Nickel GmbH (Hamburg)
PBG (Freiburg)
Promex Explorations GmbH
Rheinmetall

Siemens

International Trade Consulting SA
Transtecnica (MBB subsidiary)

Waldrich-Siegen

Wegmann

FRG	CW	Water-treatment, buildings for Samarra CW facility	BBC Panorama 2/2/87, Spiegel 13/8/90
FRG	CW	Reactor vessels for Sarin; corrosion-resistant alloy parts	BBC Panorama 2/2/87, Christian Science Monitor 13/1/89, Spiegel 13/8/90
FRG	CW	Mobile toxicological lab	Spiegel 4/89
FRG	CW	Inhalation system for toxic research	Washington Times 31/1/89
FRG	CW	Precursors for BW	Monde et Vie
FRG	CW	??	Spiegel 13/8/90, NY Times
FRG	CW	Precursors, production plant	Stern 26/1/89
FRG	CW	Nerve gas plants	
FRG	MT	Weapons and ammunition production equipment	Spiegel 33/1990
FRG	MT	Saad 16, computer controlled grinding facilities	Spiegel 13/89, 33/1990
FRG	MT	Electronics	Profil, 8/5/89
FRG	MT	Vehicles	Monde et Vie 23/8/90
FRG	MT	Saad 16, military research; unspecified equip at CW plant	Spiegel 13/89, 33/1990
FRG	MT	Machine-tools	Spiegel 13/89, Monde et Vie 23/8/90
FRG	MT	General contractor for SAAD 16 missile programs, computer programs; supplied machine tools, test equipment	Stern 26/1/89, 9/8/90 Spiegel 13/89, 24/90
FRG	MT	Consen group	Financial Times 21/11/89
FRG	MT	Saad 16, computer programs	Stern 26/6/89
FRG	MT	Rocket nozzles, via Nasr (GB)	Der Spiegel 28/90
FRG	MT	Tadji, missile launcher parts	Financial Times 21/11/89, Spiegel 28/90
FRG	MT	machine-tools	Spiegel 33/1990
FRG	MT	Saad 16, research	Spiegel 13/89, 33/1990
FRG	MT	Training, engineering, R&D; electronics & testing of Condor II missile	Stern 9/8/90
FRG	MT	Climate control, missile plant	Vienna Profil, 8/5/89
FRG	MT	Consen group; missile tech	FT 20/11/89
FRG	MT	Middleman, CW, missile tech	Mednews 3,12 (12/4/90)
FRG	MT	Tadji, missile propellants; parent firm of Aviatest	Spiegel 28/90, Monde et Vie, Profil 6/3/89
FRG	MT	Electronic rocket fuel mixers; precision lathes and computer control equipment; programming equipment for Tadji complex; non-echoing room for Saad 16 missile R&D	(DS 27/3/89)
FRG	MT	Main Saad 16 subcontractor, providing lab equipment for missile and CW R&D	Stern 26/1/89; NBC News, 3/3/89, Spiegel 18/89, 19/89
FRG	MT	Machine-tools at missile plant	K. Timmerman; La Grande Fauche (Paris, Editions Plon, 1989).
FRG	MT	Tractor rocket launch system	Financial Times 20/11/89

The Poison Gas Connection

Schirmer-Plate-Siempeklamp	FRG	WT	Weapon and ammunition production facilities	Spiegel 33/1990
Schmidt, Kranz & Co	FRG	WT	Computer controlled facility for materials checks, hardening of artillery tubes	Spiegel 33/90
SMS Hasenclever	FRG	WT	Forging press for Tadj	Spiegel 32/90, 33/1990
TBT Tiefbohrtechnik	FRG	WT	Machine tools, Tadj complex	Spiegel 32/1990
Thyssen	FRG	WT	??	Spiegel 33/1990 (13/8/90)
Züblin	FRG	WT	Steel plant at Tadj complex	Spiegel 28/90, 33/1990
Dango & Dienenthal	FRG	WY	Molten metal treatment, Tadj	Spiegel 9/7/90, 33/1990
Körber AG (parent firm of Blohm)	FRG	MT	Machine-tools for Saad 16	Spiegel 13/89
Advanced Technology Institute	Greece	WT	Super-gun engineering w/SRC	NYT Mag 26/8/90; Figaro 1/6/90
KBS	Holland	CW	Thiodiglycol	BBC Panorama, 2/2/87
Melchemie	Holland	CW	Precursor chemicals	Spiegel 3/89, Christian Science Monitor 13/12/88
Transpek India Ltd	India	CW	Trionyl chloride	Far Eastern Economic Review, 30/8/90
Teco (German-owned)	Iraq	CW	Tadj, (middle-man??)	Spiegel 33/90
Al-Arabi Trading company	Iraq	MT	State-owned front; owns TDG	MEED, 22/9/89
Ausidet	Italy	CW	Sarin precursors for Montedison	BBC Panorama, 2/2/87
Montedison	Italy	CW	Sarin Precursors to Melchemie	BBC Panorama 2/2/87
Snia Techint (Fiat group)	Italy	CW	CW lab for Saad 16	Mednews 3,12 (2/4/90)
Technipetrole	Italy	CW	Nerve gas plant, Akashat	Libération 12/3/84
Snia Bpd	Italy	MT	Solid rocket fuel	Mednews 3,12 (12/4/90)
Euromac (European Manufacturer Center)	Italy	Nuclear	Iraqi front; krytron triggers	AFP, AP, 29/3/90, Spiegel 9/7/90
Snia Techint (Fiat group)	Italy	Nuclear	Hot Cells for Thuwaitha	L'Express 4/10/80
BNL (Banco Nazionale del Lavoro)	Italy	WT	Financing	
Danieli	Italy	WT	Tadj, steel rolling mill	Spiegel 28/90
Ilva	Italy	WT	Forge equipment	Monde et Vie 23/8/90
Istituto per la Ricostruzione Industriale (ILVA)	Italy	WT	Owens Fucine; super-gun parts	Reuters 14/5/90
Societa delle Fucine	Italy	WT	Super gun parts (ILVA)	Reuters 14/5/90, Financial Times, 15/5/90
Minolta	Japan	WT	Duplicating equipment	NBC News, Monde et Vie
Transtechno Ltd	Jersey	MT	Consen group, missile tech	FT 20/11/89
Consen Investment S.A.M	Monaco	MT	Consen group, financing	FT 20/11/89
Consen S.A.M	Monaco	MT	Consen group; Missile tech	FT 20/11/89
Chemadex	Poland	Nuclear	Repair work on uranium processing plant	Washington Post 25/8/90
Int'l Trade Consulting SA	Spain	MT	Middleman, missile tech	Mednews 3,12 (12/4/90)
Casa	Spain	WT	Helicopters from MBB	AFP
Trebelan	Spain	WT	Steel cradles for super-gun	Financial Times 26/5/90, Monde et Vie 23/8/90
International Trade Consulting SA	Spain	MT	Middleman for missile tech	Mednews 3/12 (12/4/90)
Bofors	Sweden	MT	Electronics; Missile launchers	Financial Times 26/5/90, Monde et Vie 23/8/90
Canira Technical Corp	UK	MT	50% share owned by TDG; attempted buyout of Learfan, Belfast, to acquire carbon-carbon technology	MEED, 22/9/89
Matrix Churchill	UK	MT	Machine-tools, precision lathes (owned by Iraq)	WSJ, US News and World Report 4/6/90, MD
Nasr Dependence Meed Int'l	UK	MT	Iraqi front; rocket nozzles	Der Spiegel 28/90
SRC Composites	UK	MT	Joint venture SRC/TDG; attempted buy-out of Canira/ Learjet factory in Ireland, 1989	Financial Times 17/4/90
TMG Engineering	UK	MT	Iraqi front (TDG); bought Matrix-Churchill	MEED 22/9/89

The Poison Gas Connection

A Chronology of Horror Documented Use of Chemical Weapons Since 1915

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- 1925:** Spain uses chemical weapons against the Moroccan independence movement led by Abdel Krim.
- [1925:** Signature of the Geneva Protocol outlawing the wartime use of chemical and bacteriological agents.]
- 1931:** During its invasion and occupation of Manchuria, Japan uses chemical weapons against civilians.
- October 1935:** Mussolini's troops storm Abassynia under the command of Marshall Di Bono, massacring civilian populations with WWI-vintage chemical weapons;
- 1939-41:** Euthenasia program for mentally ill and handicapped enacted by Nazi regime in Germany.
- 1942-45:** Millions of Jews and other victims of the Nazis were gassed in facilities designed and supplied by German companies.
- 1954:** Great Britain allegedly uses chemical weapons (probably limited to riot control agents) against Malayan nationalists.
- 1963-67:** The International Committee of the Red Cross accuses Egypt of using phosgene, mustard gas, and riot-control agents during its invention in the Yemen Civil War, and of gasing an ICRC medical convoy CW agents were deployed by Nasser's elite guard, as well as by the Egyptian Air Force. Egypt denied the charges.
- 1968-75:** The U.S. makes widespread use of Agent Orange and other defoliants in Vietnam, which the U.S. refuses to consider as chemical weapons covered by the Geneva Protocol.

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